Weekend FT

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Italy: where honesty means sharing your bribes

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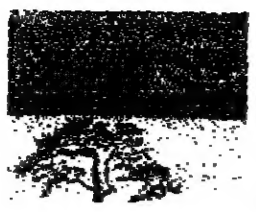

A natural wonder under threat: the pollution of Lake Baikal

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Has Washington the will to lead the global economy?

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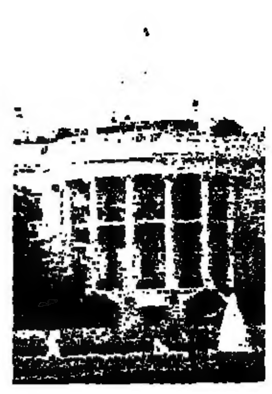


FINANCIAL TIMES

Europe's Business Newspaper — WEEKEND FEBRUARY 27/FEBRUARY 28 1993 — D8523A

Former Ferruzzi head in Italian corruption probe

Raul Gardini, former head of Ferruzzi-Montedison, is under investigation for his role in the controversial reorganisation of Italy's chemicals industry at the end of the 1980s, Milan magistrates said.

The latest blow to Italy's business elite coincided with the announcement that Lazio football club president Sergio Cragnotti, a former managing director of Montedison, was also under investigation. Page 24; Uneasiness among Italy's establishment, Page 2; When honesty means sharing your bribes, Wkd I

Terror hunt after gas blast: Police launched a terrorist investigation after a gasometer was destroyed in a suspected IRA bomb attack at Warrington, Cheshire. The explosion followed an incident in which an unarmed policeman was shot and a young car driver kidnapped. Two men were arrested after the shooting and police are hunting for a third.

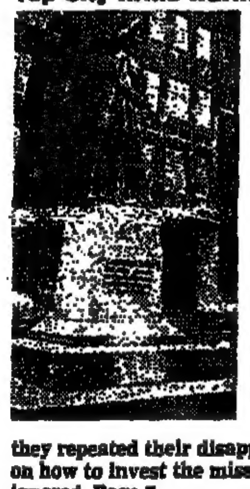
Lloyd's syndicate faces £200m losses: A syndicate of about 1,000 Lloyd's Names, including actress Susan Hampshire, could face losses totalling up to to £200m ($284m) in one of the biggest collapses at the insurance market. **Page 24**

ICI to cut HQ staff: Imperial Chemical Industries, which said this week it is to shed 9,000 jobs worldwide, plans to cut nearly half the 450 staff at its Millbank headquarters in London and may move to new offices.

Blast hits World Trade Centre: Up to 100 people were feared injured after an explosion damaged the World Trade Centre in New York causing some disruption to Wall Street trading. Early reports said a transformer in one of the basement buildings of the complex had exploded.

Jobless fear in Germany: German unemployment could rise by a further 250,000, the opposition Social Democratic party warned after the Federal Office of Labour said it had run out of money to finance new job training schemes. Page 2

Top City firms warned Salvation army



Senior Salvation army staff (whose army mother Catherine Booth is pictured left) believe the financial transactions which led to an alleged £6.2m ($8.80m) fraud were in breach of Charity Commission guidelines drawn up after the Bank of Credit and Commerce International scandal. The charity's lay investment specialists from top City institutions held meetings with the organisation this week at which they repeated their disapproval that their advice on how to invest the missing funds had been ignored. Page 7

Manchester checked: Champion Gary Kasparov and British challenger Nigel Short refused to play their world chess final under the jurisdiction of the international chess federation FIDE threatening the hopes of Manchester to stage the final this August. Page 6

Smith warning of social threat: Unemployment was reaching levels that posed a serious social threat, John Smith leader of the opposition UK Labour party warned. Page 6

Patten under pressure: Hong Kong governor Chris Patten's position weakened when his supporters criticised him for delaying publication of legislation aimed at making elections in the colony more democratic. Page 4

Somalia pullout to go ahead: The eventual pullout of 3,000 US troops from Somalia will proceed despite recent riots and gun battles in Mogadishu and the south of the country in which about 100 people have died. Page 4

Mideast peace talks move: A meeting of Arab states is to be convened in Damascus shortly to discuss how to restart Middle East peace negotiations.

BBC's new chief: Alan Yentob, 45, head of BBC2 television, was named BBC1 controller in succession to Jonathan Powell who has joined ITV's Carlton as head of drama. Page 6

STOCK MARKET INDICES

FT-SE 100:	2868.6	(+39.3)
Yield	4.22	
FT-SE Eurotrack 100	1138.88	(+14.74)
FT-A All-Share	1398.53	(+1.1%)
Nikkei	16,953.36	(+45.98)
New York: lunchtime		
Dow Jones Ind Ave	3361.36	(-3.78)
S&P Composite	441.98	(-0.35)

US LUNCHTIME RATES

Federal Funds:	3⅛%
3-mo Treas Bills: Yld	2.983%
Long Bond	103
Yield	6.862%

LONDON MONEY

3-mo Interbank	6 5/16 %	(same)
Liffe long gilt future: Mar	104½	(Mar103 3/16)

NORTH SEA OIL (Argus)

Brent 15-day (April)	$18.825	(18.84)

Gold

New York Comex(April)	$329.8	(330.6)
London	$327.75	(329.65)

STERLING

New York lunchtime:		
$	1.4285	
London:		
$	1.423	(1.43)
DM	2.335	(2.3375)
FFr	7.94	(7.9375)
SFr	2.1725	(2.17)
Y	168.8	(same)
£ Index	76.8	(78.3)

DOLLAR

New York lunchtime:		
DM	1.6465	
FFr	5.5865	
SFr	1.5288	
Y	118.15	
London:		
DM	1.6415	(1.6345)
FFr	5.58	(5.55)
SFr	1.526	(1.5175)
Y	118.8	(117.5)
$ Index	66.6	(66.3)

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Clinton urges stronger bonds in world commerce

By George Graham in Washington

PRESIDENT Bill Clinton yesterday asserted US leadership in the task of speeding up world economic growth and taking down trade barriers but called on Japan and Germany to do their share as "engines of global prosperity".

As finance ministers and central governors flew to London for today's meeting of the Group of Seven leading industrial nations, Mr Clinton complained that international economic co-operation was not working well.

"We simply cannot afford to work at cross purposes with the other major industrial democracies. Our major partners must work harder and more closely with use to reduce interest rates, stimulate investment, reduce structural barriers to trade and restore robust global growth," Mr Clinton said.

In a speech billed by US officials as a major statement on the international economy, Mr Clinton sought to reassure those who feared his administration would be more inward-looking and protectionist than that of Mr George Bush, acknowledging that many of the US's competitiveness problems had their primary roots in US policies.

"There is much about our competitive posture that cannot be straightened out by trade retaliation. Too many of the chains that have hobbled us in competitive trade have been made in America," Mr Clinton told an audience of cheering students at American University in Washington.

But Mr Clinton said the US would also enforce its trade laws, insist on reciprocal opportunities overseas for US investors, and take measures to help US communities hurt by the adaptation to a global economy.

Unemployment to dominate G7 talks ....Page 3
The dangers of a quick fix ....Page 8
GDP grows 4.8% ......Page 24

"In short, putting the American people first, without withdrawing from the world and people beyond our borders," he said.

The speech drew enthusiastic applause from Ms Carla Hills, Mr Bush's trade negotiator, but it may not dispel the questions of the US's trading partners in the EC and Japan, who in the five weeks since Mr Clinton took office have had to weigh every declaration of free trade principles against announcements of new dumping duties on steel imports or new investigations into Airbus subsidies.

Just minutes after Mr Clinton spoke, Mr Mickey Kantor, the US trade representative repeated that the US wished to review all aspects of its deal with Airbus consortium shareholders over subsidies.

Mr Clinton sought to outline a middle way between the extremes of absolute free trade and protectionism, and to situate his trade policy in the broader context of his domestic economic programme and of his foreign policy goals. He also argued that bilateral, regional and multilateral approaches all had their place in trade policy.

Linking the spread of democracy in China, the developing world and the former Soviet Union to economic growth and the development of free trade, the president said a "fair distribution of the fruits of growth among an increasingly restive world population" would bring "dividends of trade, of friendship and peace".

"Trade, of course, cannot ensure the survival of democracy... but if we believe in the bonds of democracy, we must resolve to strengthen the bonds of commerce," he said.

The president used his speech to explain to his trade union and business communities backers why he would not adopt the firmly protectionist stance many of them favour and to bid for more support for his package of taxes and spending measures.

President Bill Clinton (right), with American University president Joseph Duffey, receives an honorary degree in Washington yesterday

OFT looks into office equipment contracts

By Michael Cassell, Business Correspondent

A WIDE-RANGING inquiry into the hiring and leasing of office equipment was announced by the Office of Fair Trading yesterday. It follows allegations of malpractice and high-pressure sales techniques, particularly in the photocopier market.

Sir Bryan Carsberg, director-general of fair trading, said he was launching an investigation because complaints about selling practices had continued despite earlier attempts to improve standards.

The OFT, which can investigate the activities of individual companies and has the power to revoke their consumer credit licences, will also examine the supply of postal franking and vending machines.

Sir Bryan said his office would examine sales methods, the nature, length and clarity of leasing contracts, the effectiveness of existing consumer protection laws and self-regulation.

Investigations will also centre on the relationship – criticised by many customers as anti-competitive – between equipment suppliers, the dealers and supporting finance and leasing companies.

Earlier this week, Southern Business Group, the publicly quoted photocopier leasing company, disclosed resignations and sackings after it admitted "improprieties" in dealings with some customers.

It said then it would

Continued on Page 24

Reshuffle option increases pressure on Lamont

By Philip Stephens, Political Editor

MR John Major is keeping open the option of an extensive cabinet reshuffle during the summer to restore the government's battered authority.

His stance leaves a question mark over Mr Norman Lamont's hold on the Treasury and increases the pressure on the chancellor to safeguard his position with an imaginative budget next month.

But the scope for a popular Budget package on March 16 has been limited by a shift of mood in the cabinet in favour of an early increase in personal taxation to curb the mounting public sector deficit and to provide scope for new measures to help industry and the unemployed.

Close associates of the prime minister are dismissing recent suggestions at Westminster that he has decided to keep his senior cabinet colleagues in their present posts until 1994. Instead Mr Major would review after the Budget possibilities for high-level changes before this year's summer parliamentary recess.

The chancellor has indicated that he would like to deliver both the March Budget and the second Budget due in November.

The prime minister has refused to speculate on the possibilities of a summer reshuffle. His only comment to journalists travelling back with him after his visit to Washington this week was that a shake-up was not "imminent". That was interpreted as meaning it would not come before the Budget and most probably not before the Commons third reading of the Maastricht bill in May or June.

But the general view among Tory MPs at Westminster is that Mr Lamont has failed to recover his political authority since sterling's ignominious exit from the European Exchange Rate Mechanism last autumn. If he is moved – to the Home Office or defence – Mr Kenneth Clarke and Mr Michael Howard would be front-runners to succeed him at the Treasury.

Mr Major is also under pressure to bring in fresh talent to the government by dropping some of the longer-serving ministers he inherited from Lady Thatcher.

There is speculation at Westminster that one cabinet minister has indicated privately that he is ready to stand down and the planned departure of Mr Tristan Garel-Jones from the foreign office will leave vacant an important post just below cabinet level.

Among the ministers of state tipped by Tory party managers for promotion are Mr Stephen Dorrell at the Treasury, Mr John Redwood at environment and Mr Roger Freeman at transport.

The change of mood in the cabinet over the Budget points to an extension of the value added tax net, the introduction of higher or new "green" taxes on energy and, possibly, a freeze on personal income tax allowances.

German wages pact raises rate cut hopes

By Christopher Parkes in Frankfurt and James Blitz in London

GERMANY'S banking unions yesterday agreed to a 3.3 per cent wage settlement with their employers, effectively completing this year's west German wages round and prompting speculation that the Bundesbank might ease monetary policy next week.

News of the wage agreement, which was below the projected rate of German inflation, triggered a surge on European stockmarkets and helped to depress the D-Mark against most other European currencies.

The London stock market gained 39.3 points to close within 6 points of its previous all-time closing high, at 2,868. Frankfurt's 30-share DAX index closed 25.44 points higher at 1,684.35 and the CAC-40 index in Paris gained 39.07 points to finish at 1,983.71.

The dollar also rose against the D-Mark as dealers contemplated the possibility that the Bundesbank would ease rates at its council meeting next Thursday. Bundesbank officials have said that moderate wage deals are an important requirement if it is to cut interest rates.

The negotiations over wages in the German banking sector followed the pattern of most earlier agreements. They were completed quickly and without industrial action.

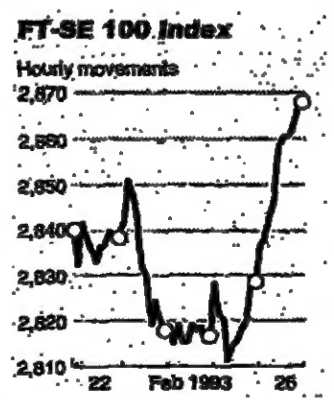
Most forecasts for German inflation suggest that there will be an annual rate of price increases between 3.5 per cent and 4 per cent.

Most unions started out with claims for increases of more than 6 per cent, but the recent rapid onset of recession and announcements of sweeping job losses have had a dramatic effect.

Earlier this month, a 3 per cent wage deal for Germany's 3m public sector employees came on the day after the Bundesbank cut the discount rate by ¼ percentage point to 8 per cent.

FT-SE 100 Index

Hourly movements



Wilkinson Sword in likely sale to US group

By Guy de Jonquières, Consumer Industries Editor

WARNER-LAMBERT, the US pharmaceuticals and consumer products group, is in advanced negotiations to buy Wilkinson Sword, the razors and toiletries company put up for sale last year.

It is understood that Warner-Lambert and Eemland, the Dutch-registered consortium of international investors which owns Wilkinson, aim to conclude negotiations early next month. Although a price has yet to be agreed, it is likely to be well below the $300m (£211m) which Eemland had hoped to achieve.

Warner-Lambert owns Schick, the second-largest US wet shaving products company. Acquisition of Wilkinson would give Schick a stronger base for European expansion and could provide keener competition for Gillette, the US company which dominates the world razor business.

In Europe, Schick sells mainly in France and the Benelux countries, where it has small market

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Austria Sch30; Bahrain Din1.250; Bermuda $1.65; Belgium BFr80; China Fec 13.0; Canada C$1.40; Cyprus C£1.00; Czech Rep Kcs45; Denmark DKr15.00; Egypt E£4.50; Finland Fmk12; France FFr8.50; Germany DM3.30; Greece Dr300; Hong Kong HK$18; Hungary Ft182; Iceland IKR180; India Rup40; Indonesia Rp3,800; Israel NS5.90; Italy L2700; Japan Y500; Jordan JD1.50; Korea Won 2500; Kuwait Fils.800; Lebanon $US1.25; Luxembourg LFr80; Malaysia Ring 50; Malta Lm0.80; Morocco Dh13.00; Nigeria Naira20.00; Netherlands Fl3.75; Norway Nkr16.00; Oman OR1.50; Pakistan Rs35; Philippines Peo 45; Poland Zl 22,000; Portugal Esc215; Qatar QR12.00; S.Arabia Rls11.00; Singapore S$4.10; Slovak Rep Kcs45; Spain Pta300; Sri Lanka Rup30; Sweden SKr15.00; Switzerland SFr3.20; Taiwan NT$65; Thailand Bht60; Tunisia Din1.250; Turkey L7000; UAE Dh11.00; USA $1.25 (Alaska & Hawaii $1.75)

 No 32,000 Week No 8 LONDON · PARIS · FRANKFURT · NEW YORK · TOKYO

US wins Nato support for Bosnia aid plan

By Robert Mauthner in Brussels

THE US yesterday won its Nato allies' political support for its decision to parachute humanitarian supplies to besieged Moslem enclaves in Bosnia, but failed to get any offers of concrete aid for the operation, expected to start this weekend, except from Turkey.

Making his first appearance at a Nato ministerial meeting since his appointment as US secretary of state, Mr Warren Christopher said he was nevertheless "gratified and encouraged" by the support he had received from his fellow ministers.

"I didn't come here for the purpose of asking for their aid and I was not at all disappointed by the response I received," he maintained.

Both Mr Christopher and a number of allied foreign ministers, including Mr Douglas Hurd, the British foreign secretary, went out of their way to stress that the US and European humanitarian aid efforts in Bosnia should be seen as "supplementary" and not rival policies.

But this did not prevent a certain amount of mutual irritation from creeping into their assessments of the situation in the former Yugoslavia.

Mr Christopher clearly continues to feel that the European nations are not pulling their weight in the search for a Bosnian peace settlement.

The recent decision by the US to participate in the peace negotiations in New York, chaired by Mr Cyrus Vance and Lord Owen, "comes with the expectation that Europe, which is most directly affected, will play a leading role and redouble its concerted efforts," he told his fellow ministers. "The addition of the US should certainly not occasion any relaxation by others."

Official and media criticism of European policy in Bosnia goaded Mr Hurd into once again underlining the extent of the British and French humanitarian aid efforts in Bosnia. British troops had escorted 279 convoys carrying 20,000 tonnes of supplies to distressed areas of Bosnia, he said.

Bosnian Serb forces yesterday blocked a United Nations convoy carrying supplies for UN peacekeepers in Sarajevo for the fourth day in succession, writes Laura Silber in Belgrade.

Serb commanders in Zvornik, eastern Bosnia, delayed the convoy, which makes a weekly trip to Sarajevo. In an unprecedented move, Serb forces insisted on searching the 60 lorries, said a UN spokesman. Part of the convoy yesterday remained in Zvornik, while 25 trucks returned to Belgrade.

Meanwhile Serb military leaders softened resistance to the planned US air drop after the administration included Croat and Serb communities in the operation. But Mr Radovan Karadzic, Bosnian Serb leader, said he was worried Moslems would down one of the aircraft and blame it on Serbs to provoke US military intervention.

Mr Dragomir Djukic, Yugoslav ambassador to the UN, said: "No one can have anything against bringing humanitarian help but they must be aware of the risks of the situation. All three sides possess the means to down transport planes."

Residents of a Sarejevo suburb brave sniper fire under cover of a snowstorm in the search for water yesterday

Mr Christopher also called on the alliance to make preparations "now" on measures to enforce a peace settlement once it is reached, pointing out that the Vance-Owen plan did not provide for the means required to ensure its implementation. "We must be ready to act effectively if and when a viable agreement is accepted by all the warring sides."

He reiterated his promise that the US was ready to join with the United Nations, the European Community, Nato and "others" in implementing a peace agreement, including "possible US military participation".

Nato's special capabilities and command structure could play a key role in such a joint operation, together with contributions from non-allies, Mr Christopher said.

Russia said earlier this week that it was ready to co-operate with Nato in a force to implement a peace agreement, which experts estimate will require at least 60,000 peacekeeping troops.

Mr Roland Dumas, the French foreign minister, said France would propose the nomination of a special UN co-ordinator for the aid and military operation to implement a peace agreement.

Though Yugoslavia took up much of the ministers' time, Mr Christopher also made a ringing declaration on the new US administration's fidelity to the Nato alliance and its support for "a strong and integrated Europe".

President Clinton intended to pursue a policy of "total diplomacy", which viewed domestic and foreign issues as inseparable, he said. "We recognise that only an America that is strong at home can act as an effective partner abroad."

The three pillars on which America's "total diplomacy" would rest were: elevating the US's economic security to a primary foreign policy goal, updating US forces and security arrangements to meet new threats and organising US foreign policy to help promote the spread of democracy and free markets abroad.

Who's next in Italy's probe of corruption?

As more arrests are made, it is feared democracy may be undermined, reports Robert Graham

ITALIAN magistrates investigating corruption seem to be systematically going through the pages of Who's Who.

Each day brings a fresh list of well-known names who are either arrested or wanted for questioning. And the momentum of investigation has begun to quicken.

This week those under investigation have included Mr Giorgio La Malfa, head of the Republican Party and Mr Raul Gardini, the most dashing Italian entrepreneur of the 1980s. Those arrested included Mr Francesco Paolo Mattioli, Fiat's chief financial officer, and Mr Giampiero Pesenti, who controls Italy's biggest cement company.

But as the momentum quickens, there is a growing chorus of alarm among politicians over the extent to which the spreading investigations – involving magistrates in at least five major cities – is compromising the Italian establishment. Politicians of all parties now freely admit the political system is completely corrupted and that perhaps more than a third of the current parliament could fall foul of the law.

Mr Giovanni Conso, a distinguished judge, and recently appointed minister of justice, has argued that a solution must be found to prevent matters getting out of hand. This week he announced his ministry was working on legislation which would attempt to balance the need for justice with the need to prevent democracy from being undermined by mass incrimination of the country's leading politicians and businessmen.

But it is hard to see how parliament can legislate anything resembling a pardon or amnesty in the present climate. This would risk not only alienating public opinion but also creating a conflict between the judiciary and the legislature.

The politicians believe the solution has to lie in a redefinition of what constitutes illicit party finance and the penal consequences for who have handled such funds. The main thread in all the investigations is that of politicians receiving money from state or private companies allegedly to finance their large party bureaucracies in return for business favours.

Mr Mino Martinazzoli, the Christian Democrat leader, this week favoured a form of depenalising the illicit financing of political parties: "I believe robbery is always immoral but the violation of the laws on financing political parties is not theft. It is an irregularity to which we have made a crime with penal sanctions." In other words obtaining funds illicitly and not declaring them is a misdemeanour which should merit at best a fine.

Since the Christian Democrat party is the most exposed, along with its coalition partners the Socialists, this attitude might seem self-serving. His critics suggested such treatment was inconceivable either for politicians who had forced companies to contribute to party coffers (extortion) or where companies had paid over money to assure the award of a contract.

Mr Achille Occhetto, leader of the former communist Party of the Democratic Left (PDS) and a strong moraliser, also this week hinted at special treatment for politicians who had taken money for their parties. But his purpose was also self-seeking since the PDS and former communists caught up in the investigation have all claimed they were working for the noble cause of the party. Personal enrichment, he claimed, was a worse crime. "At the judicial level everyone is equal before the law. But on the moral level one ought to make the distinction between those accused of having illegally financed politics and those who have enriched themselves in politics."

The magistrates themselves recognise the difficulties of dealing with an ever increasing number of interrogations, and an ever larger pile of files and indictments. One suggestion has been to ask all those who have paid or received bribes over a certain figure since 1980 to come forward and declare them. The monies would then be asked to be restituted, and where there was damage to a third party, damages would have to be paid.

German training hit by cash crisis

By Judy Dempsey in Berlin

THE Federal Office of Labour yesterday announced that it had run out of money to finance new job training schemes in Germany.

The announcement was greeted with dismay by politicians across the board, with the opposition Social Democratic party warning that unemployment could rise by a further 250,000 if such financing was cut off.

A total of DM9.9bn (£4.2bn) was supposed to be earmarked this year for retraining 300,000 workers in the five east German states, and 60,000 in the rest of Germany. But the federal department overseeing the scheme has run out of money.

The spectre of rising unemployment in eastern Germany coincides with renewed calls by IG Metall, Germany's giant engineering trade union, to step up protests in the five eastern states next week against the decision by the engineering employers to renege on a 26 per cent pay rise for 300,000 union members.

Gesamtmetall, the employers' association, broke a contract with IG Metall agreed in March 1991, which would have brought east German wages up to 82 per cent of their west German counterparts on April 1 of this year, even though productivity is 30 per cent below, and unit labour costs 40 per cent above west German levels.

However, in what might be first signs of a compromise, Mr Thomas Stach, spokesman for employers in Thuringia, said there was a "positive signal" in talks with IG Metall. Talks broke down last week in the other four east German states after Gesamtmetall said the contract was no longer relevant because of deteriorating economic conditions in both eastern and western Germany.

In Thuringia, Mr Bernhard Vogel, the state's prime minister, and other senior officials, have supported a compromise which might involve amending the timetable for reaching income parity with western Germany, due in April 1994, and the rate of wage rises.

Gesamtmetall's decision to opt out of the contract in the other east German states was yesterday followed by an announcement from Nordmetall employers in Saxony and Berlin-Brandenburg that they too were reneging on the contract.

Mr Franz Steinkühler, head of IG Metall, told engineering workers in Jena on Thursday that strike action in the east would be taken from April 1 if the employers refused to pay the 26 per cent wage rise.

● The premiers of Germany's 16 states yesterday started a weekend meeting aimed at reaching consensus on a solidarity pact. They are discussing a "federal consolidation programme," primarily designed to finance reconstruction of the east German states.

Steelmakers welcome Brussels strategy

By Quentin Peel in Bonn

GERMAN steel makers yesterday welcomed the agreement in Brussels on a broad strategy to cut EC steel-producing capacity to help stabilise the steel market.

As steel workers demonstrated against the threat of further plant closures in the Ruhr, the heart of the country's steel industry, the manufacturers expressed the hope that the deal would allow prices to be raised, and therefore cover the costs of the most efficient producers.

However, they warned that the EC industry ministers had left undecided the question of how to protect the market against cheap steel imports from eastern Europe. And they called for a longer period of at least two years to enable the industry to restructure.

Mr Ruprecht Vondran, president of the German steel federation, said the decision would make it easier for efficient steel producers to cover their costs in a stabilised market. "Now it is up to the companies themselves to end this long-lasting process of living off their reserves," he said.

He said the one year set for the industry to put most of the proposed – but still unallocated – capacity cuts into effect was too short. German manufacturers estimated it would take at least two years to set aside funds to provide compensation for unprofitable producers to cut capacity and leave the market.

With a decision expected this weekend from Krupp-Hoesch, the second largest German steelmaker, on whether to close an integrated steelworks in Dortmund or Rheinhausen, 1,500 workers demonstrated yesterday outside another threatened plant – the Klöckner-Werke works at Georgsmarienhütte.

Fresh effort planned to agree global pact on steel trade

By Frances Williams in Geneva

TRADE officials are to make a fresh attempt to negotiate a Multilateral Steel Agreement to eliminate trade barriers and phase out most subsidies.

After a two-day meeting this week, the officials agreed to meet again in late March or early April to consider a revised text.

The officials said that there seemed to be a genuine will among the 30 or so participants to reach an accord, following the breakdown of talks last March, but that many delegations had no mandate to negotiate.

"Perhaps by the next meeting Washington will have got its act together," said one official, referring to the lack of policy guidance to US negotiators from the still incomplete Clinton trade team.

The MSA, originally intended to govern world steel trade after the expiry of "voluntary" export restraints to the US market last March, came to grief a year ago over permissible subsidies and US anti-dumping and anti-subsidy actions.

Since then the discussions have been further complicated by swingeing US anti-dumping and countervailing duties recently imposed on steel imports from most foreign suppliers.

Yesterday, US officials held bilateral meetings with the EC and Brazil under the Gatt disputes procedure.

Bulgarians in deal with Efta

BULGARIA yesterday became the latest eastern European country to conclude a free trade agreement with the seven members of the European Free Trade Association. The pace, which covers free trade in industrial goods, processed farm goods, fish and other marine products, will be signed this spring and come into effect on July 1 after ratification.

The agreement with Bulgaria took just three months to negotiate. Like the accords Efta has already reached with the Czech Republic, Slovakia, Poland, Romania and Hungary, it is "asymmetric"; the rich Efta members will dismantle their trade barriers faster, leaving Bulgaria until December 2002 to phase out tariffs and other restrictions.

The agreement has been accompanied by bilateral deals between Bulgaria and Efta members on liberalising trade in farm goods where there is no common Efta-wide trade regime equivalent to the European Community's Common Agricultural Policy.

Bulgaria's exports to Efta countries amounted to $93m in 1991, while imports totalled over $220m.

Efta is increasingly regarded as a "half-way house" to EC membership for central and eastern European nations. All Efta's current members except Switzerland will be part of the giant free trade zone known as the European Economic Area which is due to come into force next July. On Thursday Efta and EC negotiators agreed on a compromise financial formula which will clear the way for the EEA, although the revised treaty must still be ratified by 18 national parliaments.

Norway to resume scientific whaling

By Karen Fossli in Lofoten, Norway

NORWAY said yesterday it would resume scientific whaling in April and begin commercial whaling by the end of May, or in June.

At the annual meeting of the International Whaling Commission last year in June, Norway announced that it would resume commercial whaling in 1993 after a break of five years.

Mr Jan Henry T. Olsen, Norway's minister of fisheries, said quotas for commercial whaling would be set after the next IWC meeting which is scheduled to be held in May in Kyoto, Japan. He said the quota was likely to be in the range of a "few hundred" north-east Atlantic minke whales.

Mr Olsen expressed optimism that the IWC would lift its whaling moratorium, but warned that Norway would be forced to reconsider its status as an IWC member if the ban was to prevail.

In 1992, the IWC's scientific committee unanimously agreed that the best estimate of the north-east Atlantic stock of minke whales was 86,700, and that this stock is no longer in danger of depletion.

Professor Lars Walloe, head of Norway's scientific whale research programme, explained yesterday that last year 95 whales were caught as part of a three-phase programme under which a quota of 400 minke whales will be killed for scientific reasons during 1992-1994.

This year, under the the second phase of the programme 136 minke whales would be killed in mid-April and later in the autumn. The remaining scientific quota would be fulfilled next year. Professor Walloe said the purpose of this year's catch would be to study the eating habits of the minke whale during the spring and autumn.

In sub-arctic north Norway, where about 400,000 people, or one-tenth of the population live, most communities depend on fishing for their livelihood.

French jobless close to 3m

FRANCE'S struggling Socialist government is entering the final month of the parliamentary election campaign with unemployment just below the psychologically important 3m mark, according to the latest official figures, writes Alice Rawsthorn in Paris.

Ms Martine Aubry, employment minister, yesterday announced that the number of unemployed people rose by 0.1 per cent in January to 2.99m, leaving 10.5 per cent of the workforce without jobs. Despite criticism, the Socialists have are clinging to their policy of sustaining a strong currency and low inflation rather than reflate the economy before the elections.

BA attacked over ticket system

By Nikki Tait in New York

THE three big US airlines, which are opposing plans by British Airways and USAir to implement a code-sharing agreement, have argued that the UK-based airline has "no valid legal claim" to unconditional code-sharing rights.

Under "code-sharing" agreements, airlines are permitted to use for internal flights each others' designated flight numbers to facilitate sales of tickets through the airline reservation system.

BA has claimed that it was given a right to code-sharing with a US carrier under revisions to the bilateral aviation agreement between the US and the UK which was negotiated in March 1991.

These revisions were agreed in return for concesssions on the UK side, which allowed American Airlines and United Airlines to replace Pan Am and TWA as the two US carriers permitted to use London's Heathrow Airport.

However, the US carriers now note that the provisions of the March 1991 Memorandum of Consultations become effective "only upon an exchange of notes between the US and UK governments – something that has not as yet happened.

"The MOC also states that pending such an exchange of notes, its provisions will be governed by the principles of comity and reciprocity," they add, arguing that the proposed integration of services between BA and USAir would run contrary to such principles.

Switzerland's regional banks continue to feel the squeeze

A persistent inverted yield curve has led to a spate of mergers and takeovers, writes Ian Rodger

PERHAPS one reason why the Swiss do so well in business is that they do not hesitate to be blunt – even cruelly, publicly blunt – with each other.

Recently Mr Markus Lusser, president of the Swiss National Bank, demonstrated this quality anew at Biel where he went to address the leaders of the country's 160 regional banks.

It is no secret that many of Switzerland's regional banks are in trouble. One went spectacularly bust a year-and-a-half ago, creating what no one ever expected to see in this country, a queue of deposit holders vainly waiting to get their money back.

Most of the rest of these small, locally rooted banks have been badly squeezed by an inverted yield curve that prevailed in Switzerland for nearly two years, leading to a spate of mergers and takeovers.

Now, just as the sector's leaders are beginning to see light at the end of the tunnel, Mr Lusser has come along and blocked the exit.

It was not enough to design a strategy for recovery, he said. Instead, regional bank managers should ask themselves whether, given the chance, they would start up afresh in the present climate. If not, they should look around for a merger partner or go into voluntary liquidation.

Not surprisingly, regional bankers were upset. "It was not very sensible to talk like that. He said nothing positive," Mr Roland Boeschenstein, deputy director of the Association of Regional Banks, says.

The regional banks do not figure large in the overall scheme of Swiss banking; their combined assets of SFr84bn (£38bn) at the end of last year were roughly a third the size of those of Union Bank of Switzerland, the country's largest.

But they see themselves as pillars of local communities, with a better understanding of local needs than the big universal banks. "Swiss people like to deal with a bank they can feel comfortable talking to," Mr Boeschenstein says.

Others suggest that this is a nostalgic view. Mr Beat Philipp, banking analyst at Bank J. Vontobel in Zurich, argues that the regional banks have lost their role. "The problem is that social structures have changed. People still live in the villages, but they work and bank in the cities."

Mr Michel Petitpierre, head of research at Pictet & Co in Geneva, adds that many regional banks themselves broke ties with their local communities in the 1980s, aspiring to lend to bigger businesses. And that is how some, including the Spar und Leihkasse Thun, which went bust in October 1991, got into trouble.

Even if most of the regional banks did fold, Switzerland would not, like Britain and some other countries, become virtually bereft of locally controlled financial institutions outside the capital.

The country has a full network of cantonal banks, mortgage and small business specialists whose assets are backed in whole or in part by their cantonal governments. They still account for about a fifth of all financial institutions' assets and are growing.

And there is a surprisingly buoyant network of 1,158 Raiffeisen, village co-operative banks that work on a very intimate and careful basis with local farmers and tradespeople.

The regional banks have seen their assets fall from SFr93.5bn in 1990 to SFr84bn last year. But Raiffeisen assets jumped from SFr33.8bn to SFr36.7bn in 1991, and the group's association says they grew again last year.

"I doubt that many people would cry over the disappearance of the regional banks," Mr Philipp says.

The Financial Times (Europe) Ltd Published by The Financial Times (Europe) GmbH, Frankfurt Branch, Nibelungenplatz 3, 6000 Frankfurt-am-Main 1: Telephone 49 69 156850; Fax 49 69 5964481; Telex 416193. Represented by E. Hugo, Managing Director. Printer: DVM GmbH-Hürriyet International, 6078 Neu-Isenburg 4. Responsible editor: Richard Lambert, Financial Times, Number One Southwark Bridge, London SE1 9HL. The Financial Times Ltd, 1993.

Registered office: Number One, Southwark Bridge, London SE1 9HL. Company incorporated under the laws of England and Wales. Chairman: D.E.P. Palmer. Main shareholders: The Financial Times Limited, The Financial News Limited. Publishing director: J. Rolley, 168 Rue de Rivoli, 75044 Paris Cedex 01. Tel: (01) 4297 0621; Fax: (01) 4297 0629. Editor: Richard Lambert. Printer: SA Nord Eclair, 15/21 Rue de Caire, 59100 Roubaix Cedex 1. ISSN: ISSN 1148-2753. Commission Paritaire No 67808D.

Financial Times (Scandinavia) Vimmelskaftet 42A, DK-1161 Copenhagen-K, Denmark. Telephone (33) 13 44 41. Fax (33) 935335.

Syria tries to spur peace talks

By Mark Nicholson in Cairo

SYRIA said yesterday it would convene a meeting of Arab parties to the Middle East peace process to discuss the resumption of negotiations, but warned that a quick restart was unlikely without a solution to the Palestinian deportees crisis.

Mr Farouk al-Shara, the Syrian foreign minister, said in Brussels that the delegations to the stalled talks would be invited to Damascus "within the coming days or weeks" to discuss the invitation by Mr Warren Christopher, US secretary of state, to reconvene bilateral talks with Israel in April.

Mr al-Shara said it would be "wrong to think" that any Arab parties would agree to resume negotiations until a "satisfactory solution" had been found to the impasse over 396 Palestinians who remain in south Lebanon after their deportation by Israel in December. "We in Syria insist on the return of all the deportees," he said.

The Syrian minister's remarks followed talks yesterday with several European foreign ministers and Mr Christopher, who said Mr al-Shara had assured him that Syria would back US attempts quickly to reconvene the peace talks.

Neither Syria nor any other Arab party has accepted the invitation to return to the table by April, the date raised by Mr Christopher following his week-long tour of Middle Eastern capitals.

Mr Christopher, in Brussels to attend a meeting of Nato ministers, said he remained optimistic that talks could restart soon.

"I'm encouraged by developments since yesterday when the announcement was made," he said.

However, Mr Haider Abdel-Shafi, head of the Palestinian negotiating team, added another note of caution from Jerusalem, saying that Mr Christopher's decision to issue invitations for an April resumption were "premature" in the absence of a settlement to the deportees issue. His comments were echoed by spokesmen from the Palestine Liberation Organisation headquarters in Tunis.

Nevertheless, senior Palestinian officials in Cairo said that a US proposal to resolve the stalemate remained alive and offered hope for an acceptable solution.

Palestinian deportees, trapped in no man's land in south Lebanon, at noon prayers yesterday

Unemployment will dominate G7 meeting

By Peter Norman in London, Charles Leadbeater in Tokyo and George Graham in Washington

THE PROBLEMS of rising unemployment in the industrialised world and the sharp economic downturn in Germany and other continental European countries are set to dominate today's informal meeting of Group of Seven finance ministers in London.

According to officials who have prepared the meeting, the talks are expected to see some tough questioning of Germany's tight monetary policy, Japan's sharply rising trade surplus and the US attitude to trade and currencies in an attempt to iron out obstacles to world economic growth.

Although Mr Norman Lamont, the UK chancellor of the exchequer and G7 host, is satisfied that UK monetary and fiscal policies are contributing to global growth, a Canadian government official yesterday said that the UK would be warned against allowing its public sector borrowing requirement to continue rising sharply.

"He has got to act on the fiscal side," the official said.

But Mr Lloyd Bentsen, the US treasury secretary, will be the centre of most attention when the ministers and central bank governors from the US, Japan, Germany, France, Britain, Italy and Canada begin their discussions.

The US wants its allies to give priority to growth, is anxious to revive G7 co-operation and wants a discussion of Russia's economic problems. It believes that it will have more leverage in the talks following President Bill Clinton's plan to cut the US budget deficit.

"I think the US will be in a substantially stronger position than it has been in many years because it is putting its house in order, it is responding to pressure from abroad, and its own economy is picking up," a US treasury official said shortly before leaving Washington.

For their part, America's allies want assurances that the Clinton administration is not protectionist and that it will support the Uruguay Round of trade liberalisation talks.

The impasse in the trade talks is regarded by some G7 officials as an important factor that has undermined the group's credibility as a forum for international co-operation.

The Japanese government will be seeking an explanation of Mr Bentsen's recent comments in favour of a strong yen, which have been largely responsible for the yen's sharp rise against the dollar over the past week. Yesterday it signalled its mounting frustration with the US administration's failure to clarify the remarks.

Speaking to the Japanese parliament, Mr Kiichi Miyazawa, the prime minister, warned that a rapid appreciation of the yen against the dollar could "derange" the Japanese economy by hitting exporters.

Mr Yoshiro Mori, the outspoken minister of trade and industry, warned that the yen's appreciation threatened to choke off what little growth was left in the flagging Japanese economy.

Yesterday it appeared that the US would try to smooth over the row. Before leaving Washington one of Mr Bentsen's officials called his comment "an off-hand remark". He added that Mr Bentsen "explicitly rejected a strategy of driving down the dollar".

Russian government seeks 10% export tax

By John Lloyd in Moscow

THE Russian government is demanding a new, 10 per cent tax on all exports in an effort to raise funds to pay off the $80bn debt it inherited from the former Soviet Union.

The demand is a measure of the desperate straits in which the government finds itself – faced with massive tax evasion and a rapid fall in income as production and living standards continue to plummet.

Internal government estimates show that over the past year, a gap of between $10bn and $15bn opened up between the volume of goods exported and what the government should have received in existing export taxes from their sale. At the same time, the precipitous fall of the rouble against hard currencies has meant that the government must now again subsidise imports, to the tune of half of the credit created each month.

Mr Vasily Barchuk, proposing the new tax in the parliament yesterday, also said that the budget deficit would rise to at least 8 per cent of gross domestic product in this year, up from a previous estimate of 5.15 per cent.

However, the real budget deficit, according to conventional accounting standards, is reckoned to be running at around 20 per cent – without counting the again-soaring inter-enterprise debt, now standing at Rbs4bn.

Russian exporters, already faced with a variety of export taxes depending on the commodity exported and also requiring to pay a 20 per cent value added tax and profit taxes, are among the most heavily taxed traders in the world. Non-payment of taxes through moving hard currency accounts offshore is a national habit, however – thus compounding the government's problems in raising hard currency.

Russian shipping chief is arrested

THE head of one of Russia's biggest state-owned shipping companies has been arrested in the first high-level crackdown since President Boris Yeltsin declared war on crime and corruption last month, reports Leyla Boulton in Moscow.

Mr Viktor Kharchenko, head of the Baltic Shipping Company in St Petersburg, is accused of stealing at least $30,000 from the company.

Go-ahead for dam

Portugal is to go ahead with an Es295bn (£1.4bn) irrigation and hydro-electric project to build a dam that will create Europe's largest man-made lake at Alqueva, in arid land close to the Spanish border, Peter Wise reports from Lisbon.

Mr Anibal Cavaco Silva, the Portuguese prime minister, said the project would not be financially viable, and Portugal would seek EC funding.

Aid for Ankara

Britain is to make a £22.7m grant to help fund a $660m metro project in the Turkish capital, Ankara, being built by a Canadian-UK consortium, writes John Murray Brown in Ankara.

The grant, disbursed under the UK's Aid and Trade Provision, will be used to cover 36 per cent of the value of work of British contractors, GEC and Westinghouse UK.

BJP protests

India's parliament came to a standstill yesterday when the right-wing Bharatiya Janata Party and the government clashed over the police role in halting a BJP rally on Thursday, Reuter reports from New Delhi.

Police tear-gassed crowds and detained 1,000 people including BJP leaders.

Another 3,900 US aircraft jobs to go

By Laurie Morse in Chicago

GE Aircraft Engines, an arm of the General Electric Company and a major supplier to commercial and military aircraft manufacturers, said yesterday it was cutting its workforce by more than 10 per cent.

The move, another symptom of the poor health of the US aircraft industry, follows heavy job cuts by Boeing last week.

GE Aircraft, which sells engines for air, marine, and industrial use, said it would cut 3,900 from its workforce of 33,000. The cuts are planned across operations, with about 2,500 at its headquarters in Evendale, Ohio; 700 at its plant in Lynn, Massachusetts, and 700 at smaller facilities around the US.

In addition to an airline slump, GE Aircraft is also feeling the effects of recent US military budget cuts.

"Our commercial customers have suffered unprecedented losses in the last three years, and engine and spare parts orders are down," said Mr Brian Rowe, president. "Those difficulties and continually changing customer needs require these cost actions," he said.

The company said the reductions would be made as much as possible through attrition and voluntary job elimination programmes.

GE Aircraft Engines had revenues of $7.368bn (£5.18bn) in 1992, compared with General Electric's overall sales of $62.2bn. A General Electric spokesman said GE Aircraft had operating earnings of $7.7m in 1992.

S Korea promotes political reformers

By John Burton in Seoul

MR Kim Young-sam, the new South Korean president, yesterday appointed a combination of bold political reformers and cautious economic bureaucrats to his cabinet.

Many of the 24 ministers come from outside the political establishment. They include academics and former opposition politicians who served with Mr Kim before he joined the ruling Democratic Liberal Party in 1990. The reformers mostly fill politically sensitive positions, such as head of the intelligence agency, as part of Mr Kim's programme to remove the last vestiges of the former military dictatorship.

The key economic agencies, however, are occupied by bureaucrats, who indicated they will resist rapid economic deregulation.

"We will seek reforms in a gradual way that will not invite bad effects," said Mr Lee Kyung-shik, who becomes head of the Economic Planning Board. Mr Lee was an EPB official and presidential adviser during the administration of President Park Chung-hee, when economic policy was dominated by central planning.

He then became a senior executive at Daewoo, the country's fourth biggest conglomerate, during the 1980s and is now president of the state-run Korea Gas Corporation.

Although he favours the reduction of bureaucratic controls on industry, he added that he did not support "the rash implementation of financial deregulation".

Mr Hong Jae-hyung is the new finance minister and a former bureaucrat in the ministry. He is now chairman of the state-owned Korea Exchange Bank and was the president of the Export and Import Bank, another government bank.

Mr Hong also favours a cautious approach to financial liberalisation and is likely to resist foreign demands, particularly from the US, for more rapid market-opening measures.

Patten loses support in Hong Kong

By Simon Holberton in Hong Kong

GOVERNOR Chris Patten's position in Hong Kong weakened perceptibly yesterday when his supporters turned on him for delaying publication of legislation which, if enacted, would make elections in the colony more democratic.

The delay has left Mr Patten exposed to the accusation of acquiescing to Beijing's demands for him to abandon his package. Hong Kong's pro-democracy politicians accused Britain of selling out Hong Kong in the wake of the decision announced on Thursday.

Mr Patten was due to gazette his legislation by the end of this month but drew back in the hope China would agree to talks on Hong Kong's political future.

His decision was, however, greeted enthusiastically by Hong Kong's stock market – the Hang Seng Index rose 148.11 points to close at 6,351.99 – and won support from the colony's conservative politicians.

Mr Martin Lee, leader of the United Democrats, said the UK had lost the negotiating battle with China before it had begun. He said the people of Hong Kong knew who lost every time Britain and China sat down at the negotiating table. "Have you ever seen the British winning anything by negotiations with the Chinese government?" he said.

The Hong Kong Economic Journal, the colony's leading business newspaper and long-time supporter of Mr Patten, sharply criticised him for deferring publication of the legislation. He was "naive to the point of folly" in believing that this gesture would help him secure an agreement with Beijing, the paper said.

However, Mr Patten's decision won approval from the Co-operative Resources Centre (CRC), a conservative political grouping close to the colony's business community and Beijing. Mrs Selina Chow, a leading CRC member, said it was a "hopeful sign" that talks might eventuate.

Hong Kong's Beijing-controlled press published conflicting reactions to Mr Patten's decision. Ta Kung Pao, which is regarded as the most reliable mouthpiece, published a tough commentary which laid down four conditions for talks which appeared to British diplomats to be designed to prevent dialogue.

It said Britain should agree to talks about the 1994-95 elections based on past understandings; it should agree not to publish Mr Patten's bill until agreement was reached; it should include no "third party," that is Hong Kong, in the talks; and any agreement reached should be binding and unable to be amended by "area councils," that is, the Legislative Council.

Wen Wei Po, in a softer commentary, said China had never insisted Britain publicly withdraw Mr Patten's political blueprint. "The British side can have several ways to abandon the package, such as, putting it aside or treating it as 'invisible' during the talks," it said.

American troops come under fire as 100 die in fighting between rival clans

US to go ahead with Somalia pull-out

THE US military said yesterday it was going ahead with plans eventually to withdraw 3,000 troops from Somalia despite riots and gun battles that rocked Mogadishu in the past four days, Reuter reports from Mogadishu.

But about 1,000 of those troops, now deployed in the southern city of Kismayu where rival militia fought on Monday, would remain for some time, army captain Ed Loomis said.

About 100 people have died in Kismayu this week, according to the French medical aid agency, Médecins Sans Frontières.

Earlier yesterday US military spokesman Colonel Fred Peck said the planned troop pull-out was on schedule "despite events in the past 72 hours".

He was referring to violent protests in Mogadishu by supporters of warlord Mohamed Farah Aideed, who accused the American-led forces of backing his rival, Mohamed Said Hersi, known as Morgan. The US military denies the charge.

The protests were followed by gun battles on Thursday between the multinational forces and bandits in Mogadishu. There was a similar but brief clash yesterday.

The violence, the worst since the task force started arriving in December to stop bandits looting food aid, had forced Washington to delay the withdrawal from Monday of the 3,000.

The US has about 18,000 troops in Somalia.

The rest of the Americans should be home by April, when the United Nations is expected to have taken over command of the task force of troops from 23 nations.

Two Somalis run for cover past a US Army Humvee as gunfire erupts in Mogadishu again

China sees growth continuing at 8%

By Tony Walker in Beijing

CHINA expects to sustain economic growth of about 8 per cent annually to the end of this century. This would bring the Chinese economy within range of becoming the world's biggest within two decades.

Mr Gan Ziyu, vice minister of the state planning commission, said yesterday that China's goal of quadrupling 1980 gross national product by the year 2000 – a target that was decried by many economists when it was unveiled – would be realised earlier.

China's extraordinary economic surge has forced a review of growth targets in its current five-year plan (1991-95), which had envisaged growth of some 6 per cent annually.

Mr Gan, in a briefing with reporters, dismissed suggestions that the economy was overheating, saying it would continue to grow in a quick-paced but sustainable manner.

The Chinese official said the government would "fine tune" the economy to achieve sustainable rates of growth. This would be done by restricting credit and restraining growth in the money supply.

China registered real GNP growth last year of more than 12 per cent, exceeding both the planned 6 per cent for 1992 and the 9 per cent average of the past 13 years. Economic activity shows little sign of slackening this year.

China's economic boom – growth may have been much higher in 1992 than officially acknowledged – has prompted a sharp debate within the Chinese leadership about the dangers of renewed inflation caused by excessive demand.

Bank lending increased last year by double the planned figure, money in circulation doubled, and the broader measure of money supply (M2) charged ahead by 28 per cent. Inflation in the large urban centres reached 14 per cent compared with a national average of about 6 per cent.

Mr Gan, meanwhile, added that China planned to import an average of \$70bn-\$80bn annually of technology, machinery and raw materials in the present five-year plan.

Industrial production in Japan falls again

By Charles Leadbeater in Tokyo

THE JAPANESE economy's weakness was underlined yesterday by official figures which show that industrial production is continuing to fall, while the growth in bank lending remains sluggish.

Industrial production fell by 0.3 per cent in January from the previous month to stand 7.6 per cent below its level in January last year, according to a report from the industry ministry.

However the monthly rate of decline in industrial production has slowed significantly since the autumn, when it was falling at a month-on-month rate of 2.9 per cent.

The financial authorities regard industrial production as an important indicator of the prospects for economic recovery. They believe it will reach its trough this quarter, paving the way for a gradual pick-up in investment.

Meanwhile, bank lending is still growing at an extremely low rate. Japanese banks' outstanding loans were 2.2 per cent up at the end of last year on the year before, according to the Bank of Japan.

Mounting pressure on industrial companies to cut costs to boost profitability was underlined by KDD, the telecommunications operator, which announced plans to shed 800 jobs in the next five years to reduce it workforce to 5,000. The company is just completing a programme to cut 1,000 jobs.

Earlier this week Nissan, the car maker, and NTT, Japan's main telecommunications group, announced plans to cut 35,000 jobs within three years.

Singapore budget will cut taxes

By Kieran Cooke in Singapore

SINGAPORE'S budget for 1993, announced yesterday, proposes big fiscal changes, with a 3 point cut in corporation tax to 27 per cent and similar cuts in personal taxes, with the top rate reduced from 33 to 30 per cent.

Dr Richard Hu, the finance minister, said the main thrust of the budget was to maintain Singapore's competitiveness as an investment location while encouraging Singaporeans to invest more in the region and develop an external "second pillar" for the economy.

"Our challenge is to claim a bigger piece of that fast growing economic pie in the region," said Dr Hu.

The incentives include tax credits for overseas dividend income and tax exemptions for venture capital and regional investments funds. "Individuals will be encouraged to take part in risky but highly profitable ventures, knowing that if they dare and succeed, government will not cream off a large share of their rewards," said Dr Hu.

Analysts said the government was clearly hoping that the tax cuts and a range of additional benefits would reduce public concern about rising living costs. Spending on medical and education schemes to benefit the poor is to be substantially increased.

The government plans to introduce incentives to widen share ownership in the run-up to the partial privatisation of the telecommunications utility later this year. Singaporeans are also given a 5 per cent income tax rebate for 1993.

Dr Hu said a recently announced 3 per cent goods and services tax will only partially make up for the drop in revenues resulting from the budget's tax cuts and incentives package in the short to medium term.

Analysts say the budget reflects Singapore's confidence in its fiscal position. Since 1987 Singapore has been running a budget surplus. 1993 revenues are estimated at S\$17.2bn (£7.3bn) while expenditure is budgeted at S\$15.5bn.

Singapore's economy grew by 5.8 per cent last year. Up to 7 per cent growth is expected this year.

MONTHLY AVERAGES OF STOCK INDICES

	February	January	December	November
FT-SE Actuaries Indices				
100 Index	2840.2	2790.3	2776.0	2712.9
Mid 250	3025.3	2912.1	2736.3	2599.3
350 Share	1402.4	1371.7	1349.4	1310.4
Industrial Group	1440.31	1425.47	1401.49	1351.58
500 Share	1522.74	1496.94	1473.45	1425.57
Financial Group	948.61	895.10	853.86	844.43
All-Share	1385.0	1351.60	1324.07	1284.96
Eurotrack 100	1121.55	1082.36	1057.70	1047.08
Eurotrack 200	1179.34	1158.79	1138.57	1112.27
FT Indices				
Government Securities	95.77	93.86	93.69	94.27
Fixed Interest	111.41	109.20	108.89	108.98
Ordinary	2195.2	2161.9	2115.2	2023.1
Gold Mines	88.7	63.1	66.6	67.6
SEAQ Bargains(5.00pm)	32,641	31,638	24,158	27,338

	Highest Close Feb	Lowest Close Feb
FT-SE 100	2873.80 (3rd)	2812.20 (16th)
FT-SE Mid 250	3051.40 (8th)	2988.80 (1st)
FT-SE 350	1416.50 (8th)	1390.00 (16th)
FT-A All Share	1398.63 (8th)	1373.41 (16th)
Ordinary	2226.10 (8th)	2171.30 (16th)

EDUCATIONAL

NEWS: BANKS AND SMALL BUSINESSES

The relationship between banks and small businesses is in upheaval. With 80,000 company failures last year and a similar number forecast for 1993, lenders are seeking a fresh approach to overdrafts, loans and equity finance. **FT writers** assess the lending pressures on both companies and banks

Lessons of the 80s spark policy review

HIGH STREET banks are reviewing their policies on lending to small and medium-sized businesses as the size of problems from their 1980s lending strikes them. This is leading to some fundamental changes in policy.

One change is that banks are becoming more restrictive in the overdraft facilities they offer. Because many of these overdrafts were used as a substitute for equity capital in the 1980s, banks are now encouraging fixed-term loans instead.

Such changes have led to fears of a "credit crunch" for small businesses, but banks deny that they are withdrawing credit. They say they are merely trying to ensure that loans are used for working capital rather than equity.

Banks argue that small business lending is more risky than they had appreciated before. They believe they require a combination of higher pricing and more information on how loans are used if they are to remain in the market.

Fixed-term loans are useful as a monitoring tool because a bank can see immediately when interest payments are not met, rather than having to watch movements in overdrafts closely to detect underlying patterns of cashflow.

Mr Brian Pearse, chief executive of Midland, this week tried to stimulate a debate about small business financing by arguing that the government, banks and businesses had to form a partnership to stimulate new forms of equity finance.

Mr Pearse's suggestions included a £67m "loan support scheme" to provide subsidies to cut the price of banks' medium and long-term loans to 1 percentage point over base – rather than the current 2 per cent to 3 per cent.

He also argued that this scheme for manufacturing industry could be supplemented with a "manufacturing support scheme" which would try to attract individuals to offer equity capital to small, local companies by giving them tax breaks.

Mr Pearse believes financing for small companies in Britain should to be re-thought in comparison with countries such as Germany, where only 14 per cent of small business debt is in overdraft form, compared with 58 per cent in Britain.

Ms Jane Bradford, National Westminster's head of small business services, says banks are increasingly limiting small businesses' access to overdrafts because of their experience with bad debts from lending in the 1980s.

"Small businesses have been over-reliant on overdrafts. They have met long-term financing needs with short-term borrowing," says Ms Bradford, whose bank is lending about £11bn to small businesses.

The confusion has proved problematic for NatWest as it tries to clear up a mass of poor lending which originated in the late 1980s. It has found that many overdrafts in theory provided for working capital have turned into loans.

NatWest is – with Barclays – one of the two biggest lenders to small businesses. Some 55 per cent of the bank's lending in the sector is in the form of overdrafts, and 45 per cent in loans with fixed terms.

The bank's problems with small business lending were shown this week in its 1992 results. Of a £1.3bn provision for bad debts on lending in its UK branch business 47 per cent related to loans of less than £50,000.

It is now trying to limit overdrafts to cases where they are clearly going to be used to day-to-day working capital. It wants businesses to accept term loans, often on fixed interest rates, for machinery, premises and vehicles.

NatWest is also trying to clean up permanent overdrafts by converting them into loans. It regards clearly defined forms of lending as essential to allow the bank to monitor what happens to its money more closely.

NatWest says businesses seek overdrafts believing they will be cheaper because of their flexibility. Many have been unable to reduce overdrafts because cashflow has not met projections.

A report on equity finance will appear in next week's UK Companies Pages.

John Gapper

Blaming a bank when all goes sour

BILL BOWLING'S world disintegrated in January. He lost his construction business and now faces losing his home.

Like many businessmen who have called in receivers the former chairman and majority shareholder of Clayton Bowmore blames a bank.

He says National Westminster's decision to cut the overdraft limit for his Yorkshire-based company from £550,000 to £250,000 created a cashflow crisis it could not survive. NatWest denies its actions were precipitate. As far as it was concerned Clayton Bowmore was another casualty of the recession – a victim of over-expansion and poor cashflow.

The bank says: "We asked accountants KPMG Peat Marwick to prepare two reports on the company last year. The second concluded the company was insolvent. An independent insolvency practitioner, already working with the company, said that the business would require more money to survive."

Mr Bowling says the bank pulled the plug even though the company had negotiated sales that would have enabled it to repay £400,000 of its £2.2m borrowings.

Mr Bowling, who had given a personal guarantee of £200,000 against bank loans, argues the company's gearing was no worse than many publicly-owned construction companies. "The book value remained marginally greater than the bank debt even after the savage write-downs recommended by KPMG, which have been appointed receivers," he says.

The rise and fall of Clayton Bowmore mirrors the experiences of many companies during the the recession. It was formed in November 1975 with just £100, a Morris van and a lot of optimism. Within four years annual turnover had reached £3m. During the 12 months to the end of March 1992 the group made a £250,000 pre-tax profit on a £16m turnover. The seeds of its destruction, however, were sown with the move into house building in the late 1980s.

For a while all went well. House prices and sales remained stronger in northern England than in the south. NatWest, however, was concerned and asked KPMG to prepare its first report, which included a substantial write-down on book values. Work in progress was valued at zero, debtors were included at 50 per cent of book value and property and land values cut, according to Mr Bowling. KPMG reduced its estimates even further in the second report. Mr Bowling says such treatment could be justified only if the company had already been judged unviable.

KPMG says Mr Bowling's reaction is understandable, but stand by its judgment. According to the accountants, the recommendations on ways to reduce overheads were largely ignored by the company, which underestimated its likely losses for this financial year.

The countdown to collapse started on September 15 when the government raised base rates to 15 per cent. "That day we lost five houses worth a total of £250,000," says Mr Bowling. The company, which had been expecting a sale a week, has made fewer than six since Black Wednesday.

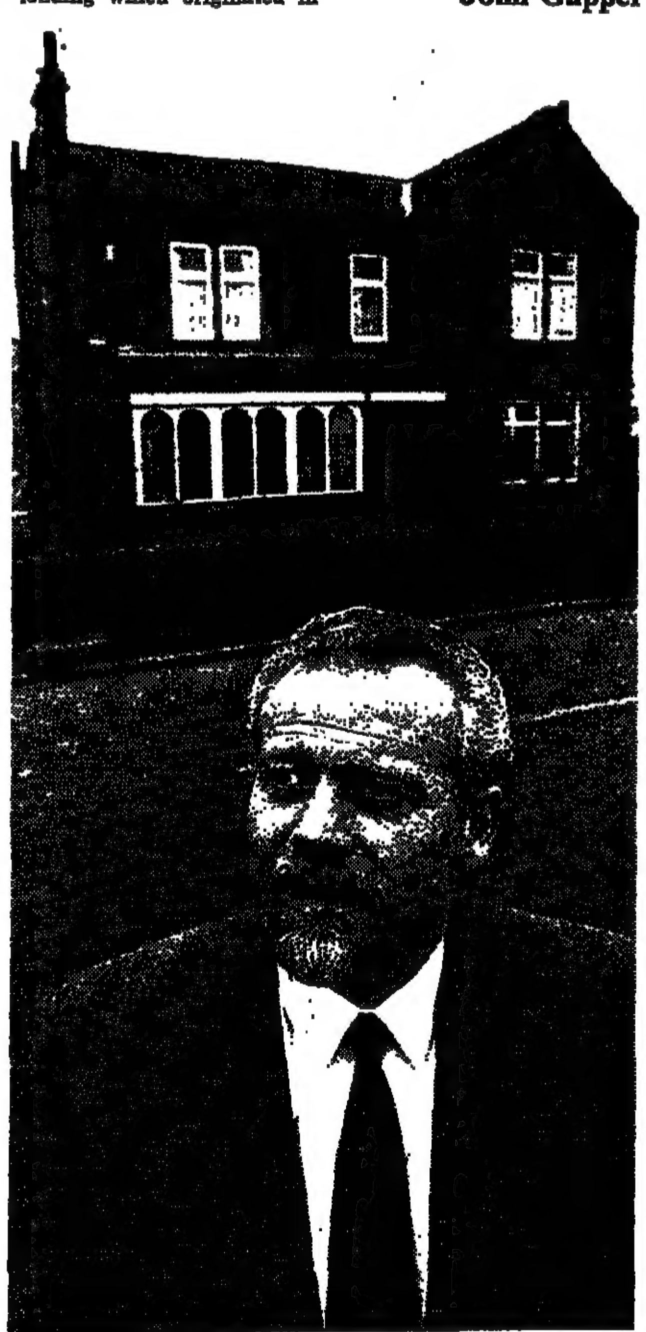
On the morning of January 15 the company received a payment for more than £300,000. It immediately posted cheques worth more than £150,000 to suppliers. "At 4.15pm the bank rang to say it was reducing our overdraft facility by the exact amount of the payment we had received," says Mr Bowling.

NatWest says it warned the company that it retained the right to reduce the overdraft limit by the amount of any cheques receive.

Mr Bowling says: "NatWest refused to honour the cheques we had sent out. Word got round and the client stopped the £300,000 cheque before it had time to clear. So nobody gained."

On January 27, with insufficient cash to pay wages, the receivers were called in.

Andrew Taylor



Former Clayton Bowmore chairman Bill Bowling: says his company collapsed after his bank cut the overdraft limit

Tougher scrutiny faces borrowers

JOHN FARMER, owner of PKI, an expanding coatings company in Chester, has mixed feelings about banks.

He abandoned Lloyds after a dispute about his overdraft. "We changed to Barclays, but I decided to get out of the hands of the banks as far as financing growth was concerned."

Today PKI has a £1.25m turnover and is growing at 25 per cent a year. The workforce at the company, which coats plastic components in imitation gold and silver, has grown from 46 to 60 in two years.

Like many small businessmen Mr Farmer wanted a flexible overdraft facility because it offered easier access to working capital than a loan.

He turned to Barclays after Lloyds declined to increase his overdraft limit to £180,000 and tried instead to set a £125,000 limit with higher charges. Although Mr Farmer now has an overdraft limit of only £50,000 at Barclays, he has continued expanding by using an intermediary finance house.

The finance house – Griffin Factors, a subsidiary of Midland Bank – agreed to offer PKI debtor discounting, a system of speeding cashflow. At the end of each week Griffin sends Mr Farmer a cheque for 80 per cent of his invoiced sales. He pays Griffin when PKI is paid by its customers.

The cost of what is, in effect, increased working capital works out at 2 per cent over base rate, compared with 2½ per cent for his overdraft. Administration costs on his Griffin contract are less than the ½ point difference, while his personal guarantee – his own risk – is only on the overdraft.

Taking advantage of such facilities represents an important shift from the 1980s when overdrafts were calculated by formula: 70 per cent of assets, plus half the value of the money owed to a business by its customers.

Grahame Elliott of Stoy Hayward, PKI's auditor in Manchester, says: "Everything is a case by case situation now."

The changing relationship between banks and small companies is summed up by Paul Davidson, managing director of Bolton Business Venture, an enterprise agency advising small businesses. "There are no formulae now. Information is crucial. The banks are carrying out validation of sales forecasts, making quarterly visits, and demanding monthly management accounts.

"We had a meeting with local bankers to see if they had altered their criteria for lending. They all said they had a surplus of funds and were anxious to do deals, but that the quality of proposals was weak."

The banks' new approach is raising questions among accountants and advisers about whether small businesses will get the working capital many need to ride the expected economic upturn. Such capital is necessary to help companies avoid overtrading – not having the cash to pay wages, creditors and interest charges quickly enough to stay in business because finances are tied up in stocks, work-in-progress and debtors.

John Evans, a Birmingham interior designer, says: "Business in the last three months has come back with a vengeance. But the banks won't finance you and they won't release the money. It's not the price of it that's the problem, it's getting it."

Responses are, however, patchy. Many accountants say banking facilities can vary widely according to lending terms drawn up by managers with different attitudes to small businesses.

Access to funds has not been a problem for Jim Mundell, chairman of United Forgemasters in Dudley, whose forging group has taken on more workers to cope with increased orders. "We are getting money at a sensible price," he says. "There has never been so much money flushing around the system. It is there because people are taking a more responsible attitude to how they're doing their lending."

His view is echoed at UKPS, an environmental engineering company on the Warwick University Science Park. It has changed clearing banks twice in the last 18 months – from National Westminster to Royal Bank of Scotland then to Barclays. "There are problems but we are not hard up. When we need more flexibility we can negotiate," says Robert Eden, the managing director.

Accountants say that in some cases banks have reduced overdraft ceilings to match the new balances created when debtors have made payments.

Mr Elliott, auditor at the PKI, said: "If values of property now start rising and businesses start doing better, there is a danger some banks will pounce to recoup loans by shutting companies down to realise the assets."

Companies should protect themselves against such eventualities by negotiating with the banks before embarking on expansion, according to one Glasgow accountant.

"It's no good taking a lot of new orders and then going to the bank to ask them to finance an increase in turnover. You've got to get the bank lined up first," he says.

"The banks are realising that some companies with high working capital needs are going to have major problems coming out of recession."

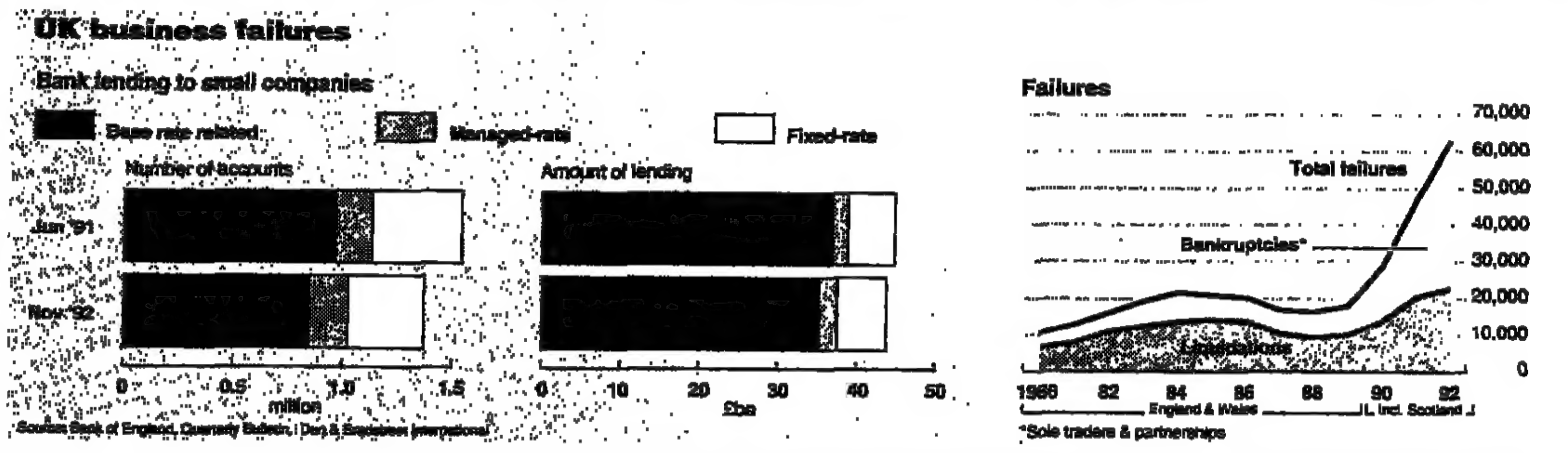
Many accountants believe the attitude of the banks could force small businesses to seek alternative funds from Britain's venture capital industry, which is estimated to have reserves of more than £1bn.

Banks say they are into "relationship lending" and insist no sound business will be starved of working capital.

They say there will be tougher scrutiny of why businesses want money. Overdrafts will be available for working capital only. Risk capital for new ventures might have to be sought elsewhere.

But one banker warned: "It's going to cost more. Scrutiny is going to push up charges."

Ian Hamilton Fazey
Paul Cheeseright
James Buxton



Smith sees threat in jobless toll

By Alison Smith

LABOUR'S onslaught on the government over the recession intensified yesterday as Mr John Smith, the party leader, issued a stark warning that unemployment was reaching levels that posed a serious social threat.

Mr John Major, the prime minister, was yesterday once again upbeat about the economy, saying he thought people might be inclined to spend again now they had repaid debts incurred a few years earlier.

"It could be that the tide is turning, but it is too early to say how profound that change is," the prime minister said.

But Mr Smith insisted that "second-hand assurances" from Mr Major that the economy was on the brink of recovery were failing to convince people. Speaking in Cardiff, he warned that unemployment was reaching "an extremely dangerous level".

"It is beginning not only to menace our prospects of economic recovery, but we are on the edge of having serious social problems," he said.

As the opposition sought to capitalise on unease about government performance suggested by opinion polls, such as that in the Times yesterday, which gave them a 12 point lead, all three main parties are turning their minds to the forthcoming by-election at Newbury.

The seat, held by the Tories with a majority of about 12,000 against a Liberal Democrat challenge at the general election, will offer the first test of how far the continued economic recession has turned opinion against the Conservatives since last April.

With the return of Mr Major the Tories will use their local government conference today to seek to regain the political initiative and steady the nerves among their supporters.

Sir Norman Fowler, the Tory chairman, will lead the offensive with a return to the theme of law and order and an attack on opinion pollsters, based on their poor performance in last year's election campaign.

Labour seeks talks on terror law

LABOUR OFFERED yesterday to discuss reform of the anti-terrorism laws with the government, Alison Smith writes. Mr Kevin McNamara, shadow northern Ireland secretary, said: "It is time to build a new understanding between the parties."

The Tories have argued that Labour's refusal to support the existing prevention-of-terrorism measures shows that the party is not serious about fighting crime in general. The annual order renewing those measures – condemned by Labour as harsh and ineffectual – will soon go before the Commons.

Mr McNamara said talks with the government should include ending orders which exclude people from Northern Ireland or Great Britain. Mr Kenneth Clarke, home secretary, said it would be "irresponsible" during an IRA mainland campaign to remove the power to issue exclusion orders.

BNF is fined

BRITISH Nuclear Fuels was fined £6,000 yesterday for four breaches of safety conditions at its Sellafield, Cumbria, site in April last year although no radiation escaped.

The prosecution, brought by the Nuclear Installations Inspectorate, said that BNF had made unauthorised modifications to the plant which vitrifies nuclear waste.

BA meets Virgin

BRITISH Airways and Virgin spent another day in talks yesterday trying to conclude an agreement to end their "dirty tricks" dispute. In spite of hopes that the negotiations would end on Thursday, the two sides were still meeting last night.

Yarrow vote

WORKERS at the Yarrow shipyard in Glasgow yesterday rejected a new pay offer and voted to continue their three-week-old strike. The offer would have given the 1,300 strikers a 3.8 per cent increase on the basic wage of £227 a week and a £300 lump sum payment.

Print talks

NEGOTIATIONS between the British Printing Industries Federation and GPMU print union broke down yesterday after union representatives rejected a 1.7 per cent pay offer.

The employers' organisation said agreement had been reached on issues including full flexibility of working in integrated press rooms and the abolition of overtime bonuses.

Kasparov and Short reject Fide match

By Ian Hamilton Fazey, Northern Correspondent

GARY KASPAROV and his British challenger Nigel Short have refused to play their world chess championship match in Manchester and are setting up a rival organisation to Fide, the international chess federation, to stage their own version of the event.

Mr Kasparov and Mr Short said they would play for the championship under the auspices of the Professional Chess Association. They would give 10 per cent of the prize fund to set up the association.

Manchester City Council said the dispute was between Fide and the players. It hoped problems would be resolved quickly so plans could continue to stage the match in August. Fide refused to comment before it had confirmed a statement issued by the players in London yesterday.

This claimed Fide had shown "wilful disregard" by not consulting the players about accepting Manchester's bid, as Fide claimed on Tuesday it had. The statement was issued by Simpson's-in-the-Strand, the London restaurant which is a traditional centre for chess.

But Mr Ray Keene, a British grandmaster who is chess correspondent of The Times and an adviser to Mr Kasparov, said it had been prepared with the players' collaboration by himself and Mr Dominic Lawson, editor of The Spectator, Weekend FT columnist and an adviser to Mr Short.

Mr Lawson said last night: "Nigel Short was on a boat between Italy and Greece when Fide announced its decision. He had specifically said he wanted to study all the bids, which he was not allowed to do. He was presented with a *fait accompli*. Players at this level will not be treated as pawns."

Mr Keene said: "This has been coming for years. Many players do not like the way Fide runs things. We are confident all the world's leading professionals will join the new association."

The players yesterday invited new bids for their match. Mr Keene said the London Chess Group – a group of businesses supporting the game and co-ordinated by a public relations group – had yesterday confirmed it would bid again after losing to Manchester.

Manchester wants the match but is unlikely to bid for fear of antagonising the International Olympic Committee by going against an official international umbrella organisation for a sport, even though chess is not in the Olympics.

Chess, Weekend Page XXI

Trevor Humphries

Alan Yentob said yesterday that his main task at BBC1 would be to offer viewers a genuine choice

BBC2 chief is appointed as controller of BBC1

By Raymond Snoddy

MR ALAN YENTOB, the controller of BBC2, was yesterday appointed controller of BBC1.

It is the first time since 1965 that the person in charge of the corporation's minority channel has gone on to run the BBC's more mainstream television channel.

One of his early tasks will be to decide what to do about Eldorado, the soap opera set in Spain which was commissioned by his predecessor at BBC1, Mr Jonathan Powell.

Yesterday Mr Yentob said it had failed in ratings terms. "It doesn't seem to have done the business," he said, although he would not be drawn on the soap's fate.

Seven or eight candidates were assessed for one of British broadcasting's most attractive jobs.

According to Mr Will Wyatt, managing director of network television, only Mr Yentob, 45, went before a sub-committee of the BBC governors on Thursday evening.

All the signs are that Mr Yentob, controller of BBC2 since 1988 and regarded as a considerable success, did not initially apply for the job.

"I decided that I wanted to do it and I do want to do it," he said yesterday.

Programmes introduced during Mr Yentob's time at BBC2 have ranged from The Late Show, The Second Russian Revolution and Troubleshooter to comedy such as Harry Enfield and French and Saunders.

Mr Yentob will be the senior programme controller and will deputise for Mr Wyatt on all editorial matters.

He said his main task would be to offer the audience a genuine choice, although he supported the emphasis Mr John Birt, the director-general, was placing on the BBC producing "distinctive" programmes.

A new BBC2 controller will be appointed in three or four weeks. Mr Michael Jackson, the present head of arts programmes, is seen as a strong candidate.

Airport security to be tightened

By Ian Hamilton Fazey

TOUGH new baggage security measures for all British airports were announced by the government yesterday.

The measures will eventually ensure that all hold baggage will be X-rayed and every piece of luggage put on board an aircraft will be matched to a passenger.

Lord Caithness, the transport minister, said a directive setting out the scheme to match baggage would be issued by the end of June. He hoped it could come into effect by the end of the year.

Unaccompanied baggage or any item that could not be accounted for would be subjected to stringent security controls before it was authorised to be carried, he said.

Lord Caithness, who was attending a transport department aviation security symposium near Manchester Airport, said the total screening of hold baggage by special X-ray machines would take three to three-and-a-half years to introduce.

The cost of the exercise is understood to be the main reason for phasing.

Manchester Airport's £265m Terminal 2, which opens next week and has state-of-the-art equipment, has 27 of the new X-ray machines for which it paid more than £2m. Mr David Teale, technical services director, said more machines would be needed – at a cost of at least £80,000 each.

"We think the government should be helping the airports and the airlines to meet some of the costs," he said.

The new machines are situated immediately behind check-in desks. Before getting their boarding cards passengers can be called into a secure area to open their baggage for inspection if required.

Matching passengers to baggage is already done manually at most airports, although Manchester will examine whether this can be automated using bar-coded labels now attached to luggage for automated sorting and handling.

The problem is unaccompanied baggage – such as that which misses a flight during transit.

Pit consortium seeks investor

By James Buxton, Scottish Correspondent

THE miners' consortium which last year leased Monktonhall colliery near Edinburgh from British Coal is to seek a partner or outside investor to provide finance to overcome funding problems.

Monktonhall Mineworkers is owned by its 160 employees, who have invested £10,000 each in the company. It blamed the need for additional finance on a three-month delay in starting production. It wants to buy equipment to develop a second coalface.

The colliery, closed by British Coal in 1987, resumed production at the end of last year. It has a contract to supply 87,000 tonnes of domestic coal to British Coal and is fulfilling a trial order for 12,000 tonnes of power station coal for ScottishPower.

Mr Jackie Aitchison, Monktonhall chairman, said the company was continuing to operate thanks to the support of its bank, Bank of Scotland, and "the understanding of our suppliers".

It had decided to ask Price Waterhouse, its financial adviser, to gauge the level of interest from potential partners and investors.

Monktonhall hopes that either a financial institution or a company involved in the coal industry will step in.

The consortium failed to attract investment from outside institutions or public funding agencies last year and is financed entirely by the £1.6m subscriptions of the miners, many of whom took out loans to buy their shares. Mr Aitchison said it was receiving no government or European Community subsidy.

Last December Mr Jim Parker, the mining engineer who led the consortium and put together its business plan, resigned as managing director after a disagreement with other members of the consortium.

● Council leaders from mining areas yesterday urged the government to retain all 31 pits threatened with closure when it announces its expected rescue package next month.

Chief executives and councillors from 14 district councils in England and Wales also pressed British Coal to extend the special redundancy package beyond the deadline of March 31.

BhS to shed 800 full-time jobs

By Neil Buckley

BhS, part of the Storehouse retail group, is cutting 800 full-time and 2,300 Saturday jobs, but creating 2,000 part-time jobs in a further move towards flexible working in the retail sector.

The store chain said the changes were aimed at ensuring well-trained staff were always available to provide higher levels of service at peak times, especially on Saturdays, and to remove anomalies in the existing staff structure.

Storehouse's move follows a similar one by Burton, the retail clothing group, which announced last month it was cutting 2,000 full-time jobs but creating up to 3,000 part-time ones.

Management staff at BhS have already been reduced by 900 by Mr David Dworkin, the outgoing chief executive widely credited with having turned the group around.

The full-time job cuts now being made at store level account for more than a quarter of the present total of 3,000 full-time jobs, while Saturday losses account for nearly 40 per cent of weekend-only working.

They will be replaced by 2,000 jobs working between 12 and 20 hours a week. The total number of employees will fall from about 13,000 to 12,000.

All remaining staff working more than 12 hours a week will be entered on National Vocational Qualification training schemes to raise standards of customer service. Basic pay will be increased.

BhS said it hoped some people losing their jobs would accept part-time jobs, provided they met NVQ competence standards. But some compulsory redundancies were likely.

The chain is also contracting out cleaning and security functions, involving about 300 cleaners and 40 security personnel, but hopes most of these will be offered jobs with the contractors.

BhS expects the changes to cost about £2m, but said this would be more than outweighed by savings in future.

Mr Steve Bedford, Storehouse's group development director, said BhS regretted having to make redundancies in the present economic situation. He said: "BhS has restructured its head office, store management and regional organisation, cutting out unnecessary bureaucracy. Now, with new staffing arrangements in the stores, the whole business really is focused on the customer."

Scottish yard cuts most of workforce

By Andrew Taylor

McDERMOTT, the US owner of the Ardersier offshore fabrication yard near Inverness, one of northern Scotland's biggest employers, is to make most of its remaining 500 workers redundant.

The yard, which employed 3,500 workers 18 months ago, will run out of work on Monday when it is due to complete a contract for part of a North Sea production platform.

McDermott says that Ardersier will then move to "little more-than-care and maintenance". By the beginning of April the yard is expected to employ only about 75 people. More than half of the jobs are to go next week.

The redundancies are the latest in a swathe of job losses in fabrication yards in Scotland and north-east England. This month the Offshore Manufacturers' and Constructors' Association estimated that the number of workers employed by offshore fabricators, including sub-contractors, had halved to 10,000 since September.

Manufacturers are forecasting a further 3,000 job losses over the next few months as investment in North Sea exploration continues to dwindle in the face of low oil prices and low demand.

The association has warned that job losses could rise even further if the government reduces investment in gas-fired power station projects to boost coal sales as part of its energy review.

McDermott insisted it was maintaining its commitment to the yard in which it invested £25m in 1986.

Banks agree deal on Battersea debt

By Richard Donkin

THE syndicate of banks which in effect controls the Battersea Power Station site is believed to have taken a discount on its debt of more than 90 per cent in a deal that will ultimately pass control to a Hong Kong property family.

The Hwang family, who are acquiring the site, refused to disclose the price they paid for the debt in a deal completed yesterday. But it is understood that the syndicate, led by Bank of America, accepted less than £10m for signing over its claim on the 31-acre site – its collateral for a debt thought to total more than £100m, including interest and penalty fees.

The deal leaves the Hwangs studing options for acquiring the site from its owner, Battersea Leisure, a company owned by Mr John Broome, whose plans to transform the site into a leisure complex ran into financial difficulties three years ago.

The Hwangs could repossess the 31-acre site and the power station building from Battersea Leisure. An alternative might be to appoint a receiver for the company, who would put the site on the open market. As owners of the debt, the Hwangs would have the option to top any offer that was less than the total debt.

Mr Victor Hwang, chief executive of the Hong Kong Parkview Group, the Hong Kong listed company in which his family has a 75 per cent controlling stake, said that he wanted to preserve the power station building, which is listed for its architectural and historical interest.

"Certainly there is no intention to tear it down," he said, adding that he would be looking at making a cohesive development on the surrounding site, possibly in a style to complement the building's Art Deco architecture.

Bank faces new BCCI criticism

By David Owen

THE BANK of England faced fresh criticism of its handling of the failed Bank of Credit and Commerce International yesterday when 43 MPs, including Labour frontbenchers, called for a review of Mr Eddie George's appointment as governor-designate.

The MPs called in a Commons early day motion for Mr George's appointment to be reviewed by the cross-party Treasury and Civil Service select committee, which this week published a report highly critical of the Bank's performance in the BCCI affair.

The motion urged the appointment of an outsider "untainted by the soiled and over-cosy ethos" at the Bank.

In a separate motion a cross-party group of 19 MPs stepped up the campaign for the government to reconsider compensation for BCCI depositors. The MPs – headed by Mr Keith Vaz, Labour MP for Leicester East and Sir Rhodes Boyson, a former Tory education minister – called on chancellor Norman Lamont to meet representatives of those who lost money in the bank's closure.

Hopes of Maxwell pensioners suffer setback

Alison Smith on the social security committee's sub judice fears

PENSIONERS reacted with dismay to the decision by the cross-party social security committee of MPs to postpone part of its investigation into the theft of Maxwell company pension funds.

The committee's move follows advice from the Serious Fraud Office, which warned MPs last month that taking evidence in public from witnesses who might also be called in criminal proceedings could prejudice those trials.

Yesterday's report calls on the Commons to consider the impact of its own *sub judice* rule on select committees' work, by referring the issue to the procedure committee.

Since it has played a significant part in keeping up the pressure on the government over the issue and given the Maxwell pensioners a high profile, the campaigners clearly regard the delay to the inquiry as a blow.

Mr Ken Trench, the chairman of the Maxwell Pensioners Action Group, said yesterday: "It now appears that the select committee is being gagged by the call for justice for two or three individuals, and thousands of pensioners are suffering. We feel that the SFO has made a major mistake, and that justice for the Maxwell pensioners is being denied."

Committee members are keen, however, to dispel the idea that the postponement marks the end of their interest in the Maxwell affair.

Mr Frank Field, the Labour committee chairman, said the inquiry would resume after relevant criminal proceedings had been completed, even though this would not be for many months. Mr David Shaw, a Tory committee member, emphasised that the MPs still intended to "make sure the pensioners' interests are being looked after".

The committee spent several meetings discussing whether it could hear evidence privately, but the report concluded the risks of doing so were too great.

It said: "This approach would leave the inquiry open to rumour and speculation, some of it possibly deliberately contrived in order to suggest that the committee was conducting itself in a way which could affect the legal proceedings."

While Mr Field said the committee was relaxed about the decision, the report's call for a review of the operation of the *sub judice* rule reflects the frustration privately expressed by some committee members.

The MPs have contrasted their own position unfavourably with the greater freedom enjoyed by some of their counterparts overseas, such as the congressional committees in the United States.

This is the second time the rights and role of the Commons committees, set up in 1979, have been brought into question by the Maxwell inquiry. In March last year the committee said the Commons should consider the *prima facie* contempt of the House shown by Mr Kevin and Mr Ian Maxwell's refusal to answer the committee's questions.

Though some MPs feel uneasy at the committee's strong line against the Maxwell brothers, others have relished the way its work has expanded beyond the government's conduct into inquiring into the conduct of the professions involved in the Maxwell affair and trying to track down the missing money.

They will not easily relinquish this.

● Salvation Army's 'autocractic' management style criticised ● Detectives to interview officers ● Donations unaffected

Charity guidelines 'breached'

By Jimmy Burns, Andrew Jack and Roland Rudd

SENIOR Salvation Army employees believe the financial transactions which led to an alleged £6.2m fraud were in breach of Charity Commission guidelines drawn up after the Bank of Credit and Commerce International scandal.

This view, held by bankers who have worked closely with the Salvation Army, is shared by top charity lawyers.

It comes after a week in which it has become apparent that several of the individuals and organisations named in a writ by the army were already under investigation by police and regulatory authorities in the UK and the US.

Detectives of the Metropolitan Police and City of London police company fraud squad will next week present the Crown Prosecution Service with a preliminary report on the alleged fraud which would be the first step towards prosecutions.

The Serious Fraud Office is also believed to be taking an interest in the case.

Under guidelines drawn up with the advice of the Bank of England and the Building Societies Commission a charity should:

● Draw up a list of recognised financial institutions which have a first-class reputation . . . only institutions with the highest short-term ratings should be considered.

● Use professional money managers for substantial cash resources.

● Recognise that, even if professional managers are appointed, the trustees bear the responsibility for decision-making and should carefully and objectively assess the advice they are being given.

The opinion was backed up yesterday by Mr Andrew Crawford, of City solicitors Cameron Markby Hewitt, which advises a number of charities on their investment powers.

Mr Crawford said last night: "This [case] demonstrates the importance of observing the Charity Commission guidelines on investing cash which includes the need to seek proper professional advice."

The Charity Commission said last night that it was monitoring the progress of the internal investigation being carried out by the Trustees of the Salvation Army, but would "keep under review" whether there was a need to intervene more directly.

Detectives plan to interview Salvation Army officers in connection with the alleged theft including Colonel Grenville Burn, an officer in charge of fund raising, and Colonel Ivor Rich, the secretary in charge of business administration at the army's headquarters.

Col Burn was yesterday officially "on sick leave" and not available for comment.

Col Rich, who was working at his desk, said: "I would be the first one to clear this up if I could, but I'm gagged from a legal standpoint."

Commissioner John Larsson

Asked whether he was being made responsible for the financial transactions, Col Rich said: "I don't have the authority to act on my own. No officer does."

Within the UK territorial headquarters, Col Byrne was in charge of fundraising at the lower end of a chain of command which led upwards through Col Rich to the chief secretary, Commissioner Ian Cutmore, and the territorial commander, Commissioner John Larsson.

At least two of those accused of fraud in the Army's writ – Mr Gamil Naguib and Mr Stuart Ford – have disappeared.

Mr Naguib is a director of two UK companies: Guardian Guarantee and Shellsouth. Both share a registered office in Shepherd Street, central London, which is now abandoned. It has emerged that Mr Naguib, who is listed as a Canadian national, has been under investigation by the Fraud Squad since last year in relation to fraudulent financial transactions associated with the Islamic Pan American Bank, also named in the writ.

The Central Bank of Argentina said that the Islamic Pan American Bank, based in Buenos Aires, was never on its register. It has emerged that the US Internal Revenue Service took papers from the Dallas office associated with the bank last year.

Both Mr Naguib's companies describe their purpose as financial services, but neither company is on the Securities and Investments Board's central register, which lists all approved investment advisory companies.

Shellsouth was created in spring 1991, but it being pursued by Companies House because it has never filed accounts. Guardian Guarantee's latest accounts, for the year to December 31 1991, show a retained loss of £98,000.

The company's auditor was a north London company called Babs Sobanjo, which cannot now be traced. It no longer holds a practising certificate with the Chartered Association of Certified Accountants.

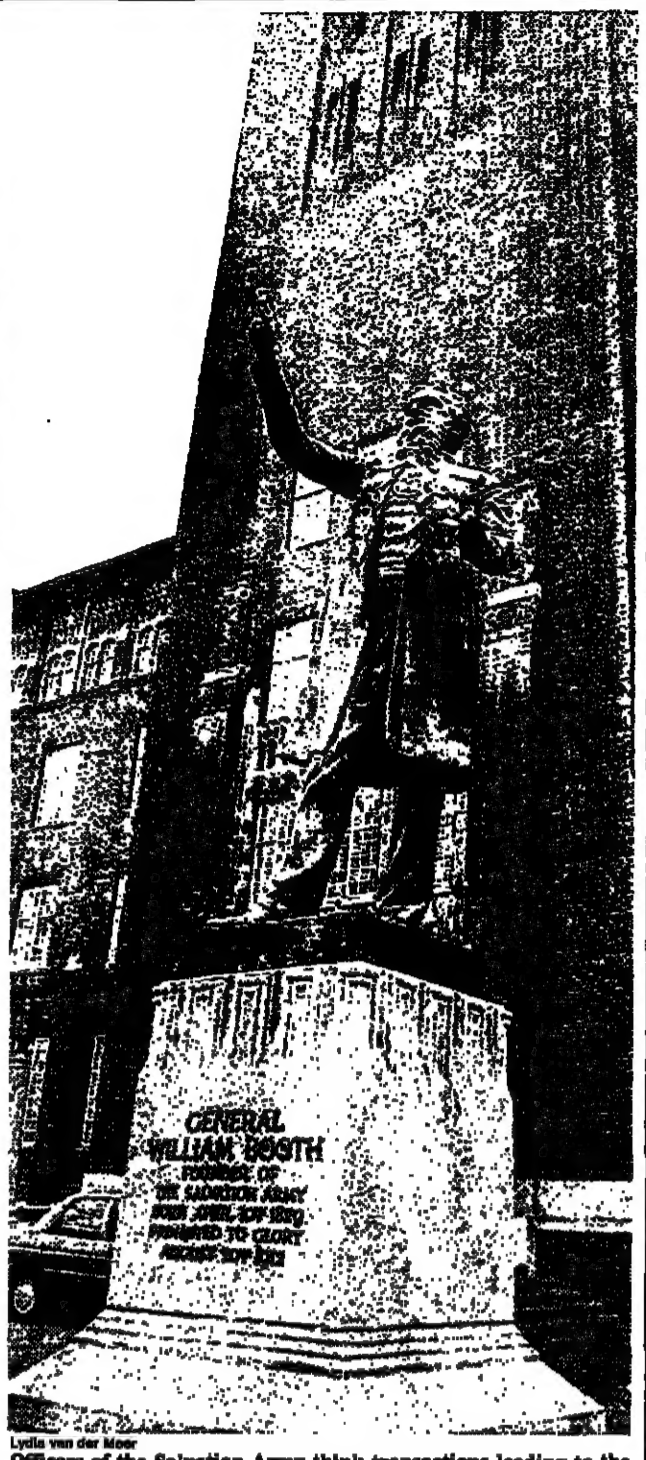
Mr Stuart Christopher Ford, named in the writ in association with Tilen Securities, traded some years ago in a different company involved in property development and operating from the same address given for Tilen.

Tilen is located in the Birmingham suburb of Acocks Green and was shut down early last week according to the owners of neighbouring properties. Yesterday a padlocked screen covered the front of the premises. The owner of one shop said Tilen had been trading at that address for at least three years.

Mr Jasbir S. Mudhar, who trades as JPR Accountants & Financial Services, was also named in the writ. He is not accused of fraud, but the army is seeking a declaration that any monies he holds on its behalf should be returned to it. He said yesterday that early last year he had handled a business transaction for Mr Ford but that he was unaware that it concerned the Salvation Army. He said that he had not had any further dealings with Mr Ford since then.

Mr Mudhar said: "I did not know whose money it was. We had no idea what it was. We just followed instructions. Everything we have done is proper. We simply handled something on instructions and I have no idea what transpired after that.

"Everything is above board and within the law. We are a professional practice and we would run away faster than Daley Thompson from anything that was not. We would not be associated with anything like that and we have nothing to fear."



Lydia van der Meer

Officers of the Salvation Army think transactions leading to the alleged £6.2m fraud breached Charity Commission guidelines

Revelations fuel senior staff concerns

By Gillian Tett

THE revelations of alleged fraud this week has fuelled concern among senior Salvation Army employees. They believe that a recent restructuring, which separated the UK financial operations from international operations, allowed the financial scandal to take place, a senior source close to the charity said last night.

Although the leadership is not accused of any wrongdoing, there is concern within the organisation about its management style.

"The news has come as a real shock to us workers," an army worker admitted yesterday as he stood stacking hymn sheets in a dusty church hall. "But then perhaps we don't really understand the money side of things as well as we should."

Founded in the early 19th century by Victorian philanthropist William Booth, the charity first made its name fighting urban poverty.

A century later its task remains broadly similar. With an overall membership of 2m, the charity conducts work among the poor, dispossessed and homeless in 94 countries.

It claims to be one of the largest voluntary groups in the world, and in Britain is the second-largest provider of social services.

Nevertheless, the central tenets of the organisation remain little changed – workers speak of their crusade as a "war", in which discipline is paramount.

The result is a management style which, as a charity accountant recently noted, is distinctly "autocratic".

Adherents claim these values create commitment. Critics, say that it has made many in the organisation dangerously trusting over finances.

So far obedience has dampened open dissent, and officers have been told not to talk to the press.

Captain Charles King, editor of the organisation's vividly named War Cry magazine, said: "The general attitude is that we should get on with the work we're doing. We don't exist to make a profit, but to help people."

But debate is growing, fuelled by the forthcoming election of the "general" – the highest rank within the army.

Recent issues of the charity's Salvationist journal have printed letters calling for greater transparency in financial and management matters.

One worker in London yesterday admitted: "All our accounts are published. But human nature being what it is people just don't bother to read them."

Salvation Army workers deny the affair has caused a decrease in donations or affected their annual collecting campaign, which is currently drawing to a close.

MPs urge tighter financial controls

By David Owen

PRESSURE ON the government to strengthen the present system of financial services regulation increased yesterday when a former Tory trade and industry secretary joined a cross-party group of MPs in tabling two critical early day motions.

Mr Paul Channon, the MP for Southend West, was one of six MPs who signed a motion highlighting the "inadequacies" of the present system of self-regulation for banks and building societies.

Expressing "grave concern" at the plight of elderly home-income-plan holders, the MPs urged the government to ensure mortgages were treated as investments for the purposes of the 1986 Financial Services Act.

Mr Channon, whose time as trade and industry secretary partly coincided with the passage of this act through the Commons, also backed a second motion urging the Securities and Investments Board to proceed "with urgency" to set up the proposed Personal Investment Authority.

The motion, which has so far been signed by eight MPs, endorsed the principle of self regulation of financial services but acknowledged a "lack of confidence" in the existing system.

The motion says the PIA's establishment should create a single system, "embracing banks and building societies, as well as those bodies and individuals currently covered by Fimbra and Lautro, to resolve complaints and provide compensation for investors".

SIB has threatened that it might refuse to recognise the PIA as the new self-regulatory body for retail financial services if it does not raise standards of investor protection.

Earlier this month the PIA appointed Sir Brian Jenkins, a partner at accountants Coopers & Lybrand, to conduct an independent review of membership criteria.

FINANCIAL TIMES

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Saturday February 27 1993

Jawboning in the G7

WITH THE notable exception of the US, the leading industrialised countries face an increasingly bleak economic prospect this year. Japan is experiencing the biggest decline in output since the oil shock of the mid-1970s, while the banking system creaks under the weight of mountainous bad debts in property. Germany is sinking further into recession as the Bundesbank sticks doggedly to its anti-inflationary stance. The French economy is hamstrung by absurdly high real rates of interest and actually shrank in the fourth quarter of last year. Meantime the elusive British recovery remains just that: elusive.

At times like this, when global growth is unequally distributed and trade imbalances are mounting, leaders of the Group of Seven industrialised countries are tempted to cook up plans to invigorate the world economy. Yesterday President Bill Clinton succumbed to the urge.

In an explicit return to the rhetoric of global policy coordination, he called for Japan and Germany to 'act as engines of global prosperity'. And the Treasury Secretary Mr Lloyd Bentsen, in London this weekend for the G7 meeting of finance ministers and central bank governors, has made no secret of his wish to push the G7 into a more active global role.

Yet past experience, from the locomotive experiment of the late 1970s, to the Plaza and Louvre accords of the 1980s, suggests that co-operative growthmanship has a nasty way of ending in disaster. Equally to the point, much of the G7 is already pushing in the right direction under powerful domestic impetus; and those countries, like Germany, where policy change is overdue, have a compelling agenda of their own.

The Bundesbank is unlikely to succumb to siren calls for looser monetary policy, at least not at a time when its worries about inflation are palpably justified. It is fully entitled, on its past record, to take its own counsel on the appropriate moment to ease.

Economic costs

Nor are the French likely to be any more accommodating. A country that has been prepared to incur huge economic costs within the European Exchange Rate Mechanism for wider foreign policy goals is unlikely to throw in the towel now for the sake of G7 co-operation. France's reading of its own interests may be difficult for others to fathom, but its dismal unemployment figures bear witness to the depth of the commitment to the *franc fort* policy.

Japan looks a more tempting target for a new US administration. As the world's largest creditor nation, with plenty of room for fiscal manoeuvre, it could readily move in a more expansionist direction; and the US has traditionally exerted greater influence on its domestic affairs. Yet the dire state of the Japanese economy owes much to earlier US demands for looser monetary policy in the second half of the 1980s. Nor are calls for a further appreciation of the yen helpful, since they imply a misreading of the Japanese trade surplus.

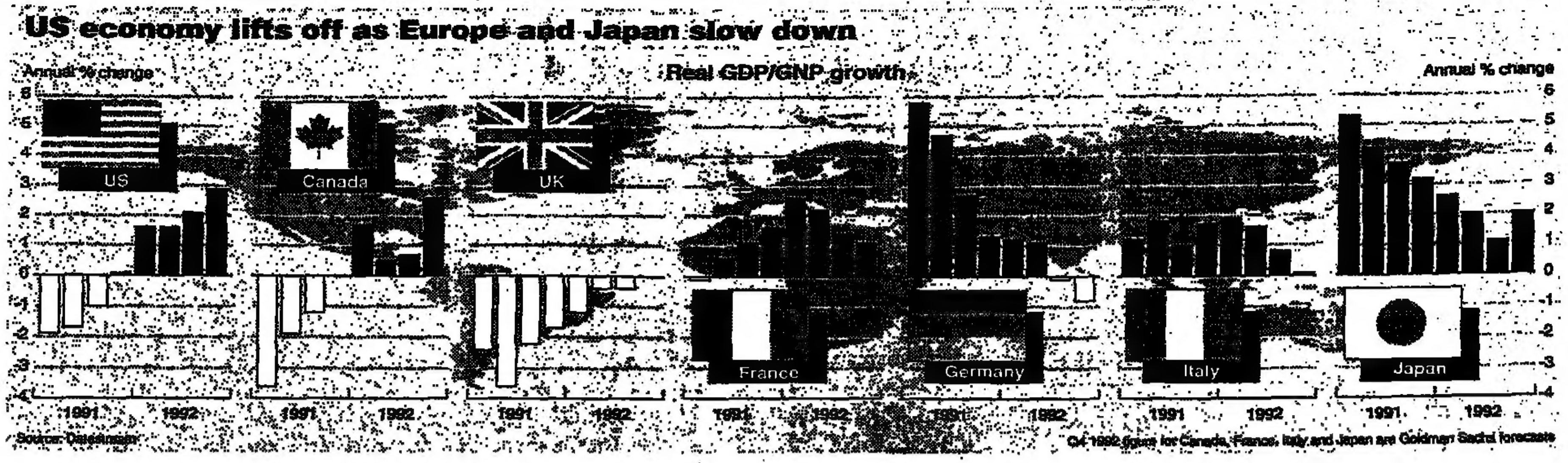
Japanese exports have shown scarcely any growth over the past two years. The yen, meantime, is already at record levels both in trade weighted and dollar terms. Such has been the pressure on profits in Japanese industry that job cuts are beginning to take place in an economy where the big corporations traditionally shelter the workforce from the depredations of recession. This week's news of Nissan's decision to close a car plant was a further psychological shock. The reason Japan's trade surplus has soared is simply that imports have collapsed as the economy sinks into the mire.

Trade imbalance

The longer term causes of the US-Japan trade imbalance are structural. They reflect the excessive Japanese propensity to save and the equal and opposite lack of saving in the US. By showing willingness to address an excessive US budget deficit in his State of the Union message, President Clinton is at least moving in a constructive direction. But this new-found fiscal virtue is no reason to pressurise the Japanese when the country is already pulling out the stops to prevent a financial collapse. A further, expansionary fiscal package is widely regarded as inevitable at a time when the Japanese social contract is more seriously threatened than it has been for decades.

In short, domestic political pressure and market forces are already pushing Japan in the direction that President Clinton wants. The same is true in all the other economies that have been particularly heavily burdened by debt, not least Britain, where high profile lay-offs this week by ICI and British Gas tend to distract attention from the underlying reality – namely, that the government cannot escape from a severe fiscal bind without restoring rapid economic growth.

The moral for the G7 is that there is no harm in jawboning the Germans over their fiscal irresponsibility, nor in seeking to fathom the self-denying economic habits of the French. But Mr Clinton's exhortations on trade, and on assistance for Russia, offer a more promising agenda than any global dash for growth.



The global economy cannot rely on the US for leadership, says **Michael Prowse**

The dangers of a quick fix

The US economy is emerging strongly from recession. The torch of leadership has passed to an able and energetic young Democrat. For the first time in over a decade, the same political party now controls both houses of Congress as well as the White House. The Clinton administration is thus better placed than its recent predecessors to provide global economic and foreign policy leadership.

None of the other leading industrial countries shares its advantages. Japan has old and unimpressive political leaders and confronts potentially the most serious recession in decades. The strains of unification have undermined Germany's role as Europe's monetary anchor, sent recessionary ripples across the entire continent and thrown in jeopardy the ambitious timetable for European economic and monetary union. The UK seems unable to break out of a protracted downturn and is going through one of its periodic bouts of acute self-doubt.

President Bill Clinton seems fully aware of his global responsibilities. In an eloquent speech in Washington yesterday he adopted a lofty internationalist tone, far removed from his recent carping about Airbus subsidies. "Open and competitive commerce will enrich us as a nation," he declared. The US had to "compete not retreat".

Mr Clinton also sought to place his economic package of last week in the context of a "global growth strategy". The message is that the US has put its house in order by taking steps to reduce the budget deficit and raise long-term investment. But while the US is prepared to lead it cannot alone guarantee global prosperity; the time has come for Germany and Japan to play their part as engines of global growth.

Mr Clinton left the details for Mr Lloyd Bentsen, the US Treasury Secretary, who is in London for today's meeting of the Group of Seven industrial countries. It is no secret that the US wants Japan to adopt a more expansionary fiscal policy and Europe to do something – anything – to promote faster growth. In US eyes, Europe is most out of line on monetary policy: short-term interest rates remain far higher than in either the US or Japan. Mr Bentsen is thus likely gently to press the Bundesbank to consider an early easing of policy.

The president's attention to international economic issues will be welcomed abroad. But the best grounds for economic optimism lie not in what Mr Clinton said but in the vigorous US economic recovery the Democrats have inherited from the Bush administration. After nearly two years of sluggish expansion, the US economy is finally taking off: the Commerce Department yesterday reported stunning GDP figures for the fourth quarter: growth at an annual rate of 4.8 per cent, the best since 1987.

Most forecasters now believe that steady annual growth of about 3 per cent is now all but assured. The US is such a self-contained economy (the share of exports in GDP is still only about 12 per cent) that even a deepening downturn in other countries is unlikely to jeopardise its recovery. On the contrary, as incomes and consumption rise in the US, other countries will benefit from increased demand for their products. The US should thus help pull other countries out of recession, although the pull will be weaker than in the early 1980s, when deficit spending sent US demand through the roof.

By curbing future deficits, Mr Clinton may slightly reduce the US growth rate in coming years. But the effect will be small partly because lower long-term interest rates will offset fiscal contraction and partly because the deficit-cutting is less severe than widely appreciated.

Buried at the back of Mr Clinton's A Vision of Change for America is a revealing table showing projections for the structural budget deficit (the deficit allowing for the effects of the business cycle). This shows that planned policy changes will reduce the structural deficit by about $25bn over the next two years and then hold it steady at about $200bn (roughly 3 per cent of GDP) until 1997.

The conventional wisdom that an immediate stimulus will be followed by tough measures to curb the deficit is thus quite misleading. In reality there is no stimulus worth mentioning and only the most modest stab at reducing the structural deficit over the medium-term. Congress however may push for substantial changes to the plan.

Beyond allowing a spontaneous private-sector-led recovery to gather momentum, what can the US do to spur global growth? The two areas where US actions potentially matter most, but where signals to date have at best been confused, are G 7 policy co-ordination and trade policy.

Since his nomination as US Treasury Secretary last year, Mr Bentsen has repeatedly stressed his wish to "revitalise" the G7 co-ordination process. He says he will rely mainly on private negotiation and promises to eschew the "public bullying" that so often proved counterproductive for the Reagan and Bush administrations.

Unfortunately, he has already blotted his copybook by declaring publicly last week that he favoured a stronger yen. Predictably, frenzied trading on foreign exchange markets caused a sharp appreciation of the yen, which threatens to intensify already powerful recessionary forces in the Japanese economy. Tokyo was understandably miffed.

The US wants Japan to adopt a more expansionary fiscal policy and Europe to do something – anything – to promote growth

The US probably does not know what it wants from policy co-ordination. In a competitive global economy characterised by highly mobile capital and instantaneous communications, the G7's significance can easily be exaggerated. Before leaning too hard on trading partners, Mr Bentsen might recall that most of the measures advocated by the US in the recent past subsequently proved misjudged. For example it pushed Japan into overstimulating its domestic economy in the late 1980s, a mistake that led directly to a speculative bubble in share and real estate markets and, ultimately, today's financial turmoil.

In due course the Bundesbank is likely to lower interest rates and Japan's Ministry of Finance to sanction more expansionary fiscal measures. If the G7 chooses to dress this up as a great triumph of co-ordination – a quid pro quo for Mr Clinton's "bold" fiscal retrenchment – that is its prerogative. In reality, however, these steps are like to be taken when and only when they are perceived to be in the self-interest of the countries concerned.

Mr Clinton's speech yesterday, which emphasised the importance of US workers and industries adjusting to the realities of global competition rather than seeking to shelter behind trade barriers, will offset some of the damage inflicted by loose protectionist rhetoric in recent weeks. European and Japanese officials, however, would be right to remain suspicious. The fierceness of Mr Clinton's complaints about Airbus subsidies is telling the world something.

Mr Clinton is not an overt protectionist but his stance on trade differs considerably from that of George Bush. Mr Bush's formative years were the 1940s and 1950s when US industrial supremacy was unchallenged; Mr Clinton's were the 1970s and 1980s, the decades when the US seemed unable to handle foreign competition in such sensitive sectors as consumer electronics and cars.

While Mr Bush took the benefits of a liberal trading system for granted, Mr Clinton and many of his senior advisers believe the US has lost ground partly because other countries bent the rules – by refusing to open markets as fully as the US and by pursuing active industrial policies involving generous government subsidies for strategic industries.

The Clinton doctrine is that free trade is beneficial but only if the same standards apply universally. This week he unveiled a mildly interventionist "technology policy" to meet the perceived threat from European and Japanese industrial policies; he will continue to press hard for reciprocal trade concessions abroad whenever he feels other countries are not meeting US standards. This is a recipe for continued trade tension.

In the past the global economy has performed best when an "anchor" country has served both as a guarantor of monetary stability and a champion of the liberal values on which a market system depends. Britain performed this role with distinction during the 19th century; the US performed well after the second world war as the hub of the Bretton Woods exchange rate system.

But towards the end of the 1960s US leadership faltered, mainly because it failed to keep its own inflation rate under control but also because it lost sight of its wider global responsibilities. For the past two decades, for example, the US has perceived the dollar less as a global store of value than as an instrument to be manipulated for the short-term benefit of American exporters.

Mr Bentsen's immediate reaction to the widening bilateral trade deficit with Japan (caused mainly by Japan's domestic slump) is wholly characteristic: seek a quick fix by talking the dollar down against the yen. It rarely seems to occur to US policymakers that, in the long run, the countries with the strongest currencies also enjoy the strongest trade accounts.

Indeed, despite protestations about improving long-run productivity, a kind of short-termism permeates much of the Clinton administration's economic strategy. Worried about a lack of investment? For Mr Bentsen the answer is obvious: dish out a temporary investment tax credit. Just seven short years after the path-breaking 1986 Tax Reform Act, which eliminated a host of fiscal distortions, the US Treasury is again manipulating the tax code in search of temporary economic gain.

Mr Clinton is right to argue for a global growth strategy. But despite the seductive rhetoric there is a danger that the US in practice will continue to press for quick fixes – such as fiscal boosts or currency realignments – and lose sight of the more important long-term determinants of prosperity, such as a genuinely liberal trade regime and non-inflationary monetary policies. The question is whether it will be a good anchor for the world economy in the short or the long term.

MAN IN THE NEWS: ***Sir Denys Henderson***

Corporate history in the unmaking

Sir Denys Henderson, last chairman of the old ICI, explains his business strategy to **Tony Jackson**

Sir Denys Henderson sits in his wood-panelled office, a glass of Famous Grouse whisky in his hand, and reflects on tradition. He is the 11th chairman of Imperial Chemical Industries and the last of the line. He has been at ICI for more than half the company's history. He has just spent a long day explaining to the press and the City why he intends to end that history by carving the company in two. So how does it feel?

"I have to tell you that, if you're an ICI man through and through, you do not take these decisions lightly. The sense of history is strong. If you've spent 35 years with a company and made many friends, you'd be a very strange guy if you didn't feel a power of nostalgia."

Looking back, he compares his position with that of a fellow Scot and predecessor: Lord McGowan, ICI's co-founder and autocratic second chairman from 1930 to 1950. "He had the marvellous good fortune to be there to build the business up. That must have been an enviable time to be involved in the chemical industry, when it was right at the beginning of its take-off."

'You have to do what is right for the company, no matter how much you're running against the tradition'

But though the Scots are a bit emotional, he says, they are also realists. "It's worth remembering why ICI came about in the first place. All these little companies in Britain had to get together because of the threat to the British chemical industry from I G Farben, who dominated Europe, and du Pont who dominated America.

"Right from the start, it was a tough struggle. We were Empire-driven, and Canada, Australia, South Africa and India are not the world's greatest chemical markets. Nor is the UK, come to that. That's why we had to spend the 1980s building our position in Europe and America. If you believe the tide of history is rolling that way, you have to do what is right for the company, no matter how much you're running against tradition."

But this is to make it sound too easy. Throughout its history, ICI has resisted change. The idea of dividing the company is not new. As early as 1950, a committee of directors was asking itself whether the company should not be split up. "Perhaps," they commented, "one board might under future conditions be unable to give sufficiently close and knowledgeable attention to all [investment] schemes."

After much dithering, the board came up with a single demerger idea: that of the metals division, to be known as Imperial Metal Industries (now IMI). That took a further 12 years to put in train: and even so, it constituted less than a tenth of ICI by value.

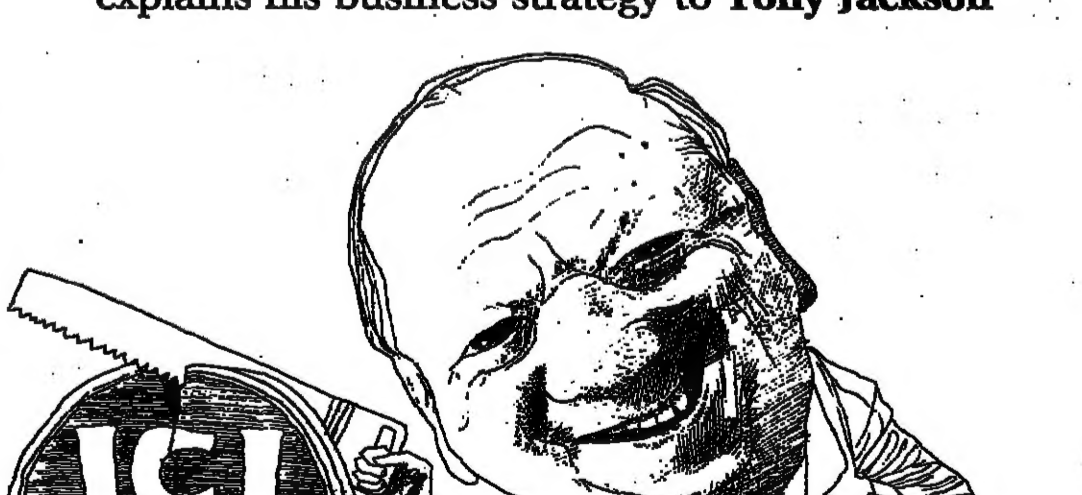
Another case of resistance is more symbolic: Millbank, ICI's headquarters on the Thames, with its huge bronze doors and the names of the founders carved in the monumental facade. ICI tried to get away from Millbank a decade ago. After much debate, however, it settled for an expensive and disruptive refurbishment.

Contrast what Sir Denys is doing now. Zeneca, the new company which is being spun off from ICI, is no tiddler like IMI. It is much the biggest part of the business. It will also move out of Millbank fairly promptly. The rump of the business – the new ICI – will probably follow after a couple of years.

It is natural to ask how Sir Denys squared up to all this. Who did he discuss it with? His family, perhaps? Certainly not, he says. "That's a very complicated issue to lay on your family. I talked to my colleagues."

Then again, he had some fairly formidable colleagues to turn to. "I talked it over a lot with my non-executives on a one-to-one basis. Being able to talk it over with Paul Volcker [ex-chairman of the US Federal Reserve] or Jeremy Morse [chairman of Lloyds Bank] or Anthony Pilkington [chairman of Pilkington] is pretty helpful. These are objective people."

All the same, he concedes, he had days of doubt. "You're a pretty marvellous guy if you think you're omniscient and you've got it 100 per cent right. You recycle it over and over again. You read accounts in all sorts of places that say you're mad, you're crazy. And we gave you guys in the press plenty to write about: they should, they shouldn't, they will, they won't, it's the wrong time if they do."



And, he concedes, the world has changed since the plan was first mooted last July. "The chemical world has gone to hell in a handcart. So you're bound to increasingly ask yourself whether you should put it off. There was all this personalised stuff saying 'he's got himself in a box, if he doesn't do it he's for the chop'. That might have been true – I don't know. It's never how it appeared to me with my colleagues. They have been convinced, like me, of the business logic."

The business case for splitting the company remains slightly elusive to the outsider, despite the efforts ICI has put into explaining itself. Sir Denys's own account goes back as far as 1984, when ICI's profits burst through the £1bn mark.

"Already, we were asking what kind of strategies we needed for the future. We concluded that the UK economy was unlikely to thrive and that the UK industrial base was declining. We came to two pretty simple conclusions: that we had to increase our penetration of the big overseas markets, and we had to move further out of commodity chemicals into specialities."

He rattles off figures to demonstrate the working of the strategy. In the early 1980s, the UK accounted for 40 per cent of ICI's sales. By 1990 it was 20 per per cent. In the early 1980s bulk chemicals were 60 per cent of sales, specialities 40 per cent. By 1990 it was the other way round.

But in October 1990, Sir Denys had a "flash of light". In Phoenix, Arizona, he took a phone call from his finance director, giving him ICI's third-quarter results.

"They were OK, but they were £100m less than we had expected. And the shortfall wasn't in basic chemicals, it was all in specialty chemicals and materials. So I instantly thought hello, some bits of this strategy don't seem to be working."

So through 1990, he says, they went through the business again, tightening up the capital, cutting costs, reducing staff. "In September that year, I came back from holiday feeling distinctly queasy. Despite all the things we were doing, it might not be enough."

So he set up task forces to examine ICI's strategy and structure. "At the end of the year they came back and said the structure wasn't right, and that though the strategy was broadly in the right direction, we were under-resourcing the businesses which had the real potential. We were trying to run too many things at once." Forty years on, ICI was once again asking itself if it was too big to manage.

The committee looking at the structure had been given a broad brief. "I told them to look anywhere they liked: should we consider some form of demerger, some association with other companies, anything. They looked at an enormous number of different models, including breaking up the company."

In May, Sir Denys was faced with what he terms "a slight diversion". With what now looks like supremely ironic timing, Hanson, the break-up specialist, took a stake in the company. "Though that didn't distract the businesses, it took a fair amount of time at headquarters, while we worked out who was trying to do what to whom and what we should do."

But by October, it looked as if the threat was not going to materialise. "So I got our general manager to dust off the plans on restructuring, because it seemed to me that the recession was getting still deeper and wider."

Then, at the end of 1991, he turned to Warburg, ICI's financial advisers. "I said to David Scholey [Warburg chairman]: 'Lend me somebody who's lively and intelligent, who doesn't think like us, who can look at our plans and apply a bit of lateral thinking.' "

Warburg sent a young corporate financier, Mr John Mayo. "I said to him: 'You're going to report to me personally. I don't want you going out and about talking to people, because you'll get confused by everyone grinding their own axes.' So he came back to see me three months later, and sat in here one Friday afternoon with a book this thick and said: 'Demerger is something you should consider very seriously.'

'You're a pretty marvellous guy if you think you're omniscient and you've got it 100 per cent right'

"As I went home that weekend, sitting in the car, I thought 'oh God, we've just been through all the Hanson stuff. Do I really want to start all this hassle again three years away from retirement?' "

The answer was plainly yes. In seeking a reason, Sir Denys turns again to history. "This country lost an empire and had a hell of a job finding a role. Imperial Chemical Industries first had to move away from being Empire-driven. Now it has to go the way the world is going in the next century."

Ructions in the ancien régime

Disorder on the streets has spread to French politics, injecting uncertainty into the election campaign, writes **David Buchan**

It is ironic that France, which fields more troops than any other country to help the United Nations try to prevent a new world disorder breaking out, should often be so unruly at home.

This week has seen fishermen smashing up markets in their native Brittany and in Paris in protest at cheap imports. It was the first time that the men of the sea decided to use the same licence for violent demonstration that French society has long given its men of the land. The farmers, too, disrupted trains in their continuing campaign against farm reform negotiated in the European Community and the General Agreement on Tariffs and Trade. Some dockers, airline and electronics workers also stopped work in pay and lay-off protests.

Disorder of a different kind broke out in French politics. Mr Michel Rocard, former prime minister, used his position as the Socialists' intended successor to President François Mitterrand in two years to call for "a political big bang" to create a new universe on the French left. Conceding the implosion of the ruling Socialist party in the run-up to next month's parliamentary elections, Mr Rocard called on Socialists to abandon their party and to join with pragmatic Greens, moderate Centrists and reformist Communists in a new movement.

The shock waves of this initiative are still radiating through French politics. A note of uncertainty has now been injected into an election campaign which had seemed sure to result in an overwhelming victory for the centre-right.

Clearly, Mr Rocard sees his "big bang" as the only thing that can propel him into the Elysée in 1995, but there is just an outside chance that it could give France the sort of broad-based, durable social democratic party that most other European countries have.

These ructions stem, in part, from the fact that France has modernised its economy – or the industrial part of it – faster than its society or its politics. But they also reflect an unhappiness about the way that industrial modernisation has taken place.

In statistical terms, its industrial success is clear. France recorded a FFr30bn (£3.8bn) trade surplus last year, a performance made all the more impressive by the country's strong exchange rate. This surplus is now fading away under the impact of competitive devaluations, plus falling demand, in many neighbouring countries. But France will keep its position as the world's fourth largest exporter. Its unit wage costs have risen 12 per cent less than rival Germany's over the past four years.

All this has been achieved within the liberal economic rules that the EC and world economic competition have imposed on France. Brussels's competition directorate has gradually reined in French state aid to industry, which has been equally constrained by the Maastricht treaty's budgetary disciplines. Industrial imports have a higher penetration (31 per cent) in France than in trade-deficit Britain (29.2 per cent), according to the Commissariat du Plan, the French planning agency. They include ever-larger quantities of Japanese cars, to the continuing fulmination of Mr Jacques Calvet, head of Peugeot.

Two faces of French disorder: Rocard called for 'a political big bang', as fishermen protested at cheap imports

But just because the French have played the game well does not mean that most of them like the rules any better. One of the few popular things the Socialist government has done in its waning weeks of power has been to make it harder for employers to throw more people on the heap of nearly 3m jobless. The Patronat employers federation has become the butt of criticism from the right as well as the left.

An even better scapegoat has been foreign companies like Hoover, Philips, Grundig and Kimberly-Clark, which have been pulling out of France. Behind the charge of "social dumping" – widely levelled at foreign companies, but only with any plausibility at Hoover – is the feeling that France must resist an alien, uncaring model of society being thrust on it.

Nowhere, of course, is such resistance greater than in agriculture. France remains flatly opposed to last year's EC-US deal on cutting back subsidised farm exports. Paris says it wants the whole Gatt negotiations restarted, an idea to which President Clinton's combative behaviour on Airbus and other trade issues gives a faint plausibility.

UK Prime Minister John Major tried to play peacemaker at the White House this week. But there is a tendency here these days also to see Britain as part of a general effort to do down France and its achievements. Even the cosmopolitan Mr Raymond Barre, the centrist politician, has warned publicly of an Anglo-Saxon conspiracy to sell the franc short. A senior government official dismisses as nonsense such a charge which arises, he believes, out of the linguistic fact that "the markets tend to speak to us in English".

France's current xenophobic bout seems to be socio-economic rather than racist. The national human rights commission this week reported a further decline in racist violence last year, a welcome contrast to – and perhaps a lesson drawn from – what has been happening in Germany.

Mr Jean-Marie Le Pen, who last year clamoured against Maastricht and was inviting his supporters to slap in the face every journalist they met, has had a quiet campaign. His National Front has been squeezed by the strong showing of the RPR and UDF opposition parties, who themselves have called for a "clear and courageous immigration poicy". They want to give foreigners less time to argue against expulsion orders, and less scope for those wishing to gain entry into France to make marriages of convenience and for polygamists to collect multiple family allowances.

But the phenomenon that spawned the National Front on the right and the Greens on the left still exists. This is the mixed contempt/disinterest in which many French hold mainstream politicians, who in some opinion polls have rated only just above prostitutes.

Corruption may not be on the Italian level. But one insider trading scandal, concerning Pechiney's 1988 purchase of Triangle, a US packaging company, still rumbles on to haunt the Socialists, who in modernising the Paris marketplace opened it and themselves to the temptations inherent in big financial transactions. Senior Socialists, as well as opposition politicians, have been indicted for putting corporate kickbacks into the party coffers. The presence in the government of Mr Bernard Tapie, seen as an asset-juggler rather than a conventional businessmen, has not helped.

In the country that gave the world the categories of "left" and "right" in politics, many people, according to opinion polls, feel this dividing line to be of decreasing relevance.

This week Mr Rocard claimed the demarcation was still relevant – but "in the wrong place". His strategy is to move socialists with a small "s" away from outmoded concepts like class warfare towards the political centre, while at the same time wooing back the founders of Génération Ecologique, the more pragmatic environmentalists who had earlier bolted from the Socialist party. Mr Brice Lalonde, GE's leader, said he might do business with Mr Rocard, though not necessarily the Socialist party – accepting "the bang, but not the gang", as he put it.

Even if Mr Rocard's initiative never takes the concrete form of a new party or a new federation of parties, it is part of the necessary fluidity of French politics. All presidential aspirants need to reach outside their own party to assemble temporary coalitions that can carry them to the Elysée, the seat of real power.

Mr Mitterrand has set in train a constitutional review to modernise the Fifth Republic. But his first step was timid. An experts' committee this month recommended tinkering with the balance between institutions. Until France gives less power to its secretive, quasi-monarchical presidency and more to its feeble, but open, National Assembly, its citizenry will do the old-fashioned thing of taking their grievances on to the streets.

High-quality broadcasts promise to transform the way we consume music and television, write **Michael Skapinker** and **Nikki Tait**

Digital killed the audio star

In 1983, Virgin group founder Mr Richard Branson showed a record magazine an electronic box which could receive music from satellites and transfer it to people's stereo systems.

The box was an April Fool's hoax. To Mr Branson's delight, the magazine fell for it, running the story on its front page.

Ten years later, no one is laughing. Households in the US can already pay to have compact disc-quality music broadcast to their homes. Using newly available digital recording machines, they can make copies as clear as anything they can buy from their local record shop.

Some in the music industry believe that, as such services become more widely available, the compact disc, the cassette – even the record shop itself – could disappear.

In their place would be a home juke box, from which people could select CD-quality albums or single tracks, and record them whenever they wished. Some go further: with music available on request and at the touch of a button, people will not even bother to record it.

Similarly, instead of going to the video store to rent a film or waiting for a movie to appear on television, cable subscribers could order whatever film they wanted and it would immediately appear on their screens.

Mr Alain Lévy, chief executive of PolyGram, one of the world's biggest music groups, doubts that music lovers will stop buying compact discs and cassettes in great numbers. "The technology will exist, but my gut feeling is that changes in people's behaviour take a lot longer."

Similarly, Blockbuster, the Florida-based video rental company which now owns the Cityvision chain in the UK, argues that the delivery of movies directly to the home will not ruin its business. "The threat to home video is overstated. We think it will be viable through to the end of the decade," claims Mr Ron Castell, senior vice-president of programming and communications.

But Mr Nic Garnett, director general of the International Federation of the Phonographic Industry, which represents music companies worldwide, believes it is safer to proceed on the assumption that delivery of entertainment directly to the home will catch on.

He has already begun campaigning for legislation to ensure that record companies' revenues are protected and that people who receive their music at home are made to pay for it. He wants music companies to be given the right to authorise or refuse the broadcast of their recording to people's homes. "In most cases, permission will be granted – but on terms," he says.

In the US, a company called Digital Music Express (DMX) already provides 30 channels of CD-quality music 24 hours a day to 10m cable subscribers. For between $10 and $12 a month, which includes a tuner and a remote control device, subscribers can listen to anything from chamber music to a reggae channel.

The music is not interrupted by commercials or disc jockeys. While the selected channel is playing, the remote control device displays the name of the track, the artist, the album title, the composer, the record label and, where applicable, the position in the charts.

Next month, DMX says it will start broadcasting to cable subscribers in the UK, the Netherlands, Belgium and Denmark. Programmes will be transmitted by satellite from Atlanta to European cable operators.

If subscribers want a high-quality recording of the music they are listening to, they can use one of two new products, the Digital Compact Cassette or the Mini Disc. The DCC looks similar to a cassette tape, but produces a sound as good as a compact disc. The Mini Disc is a smaller version of the CD, but it can record as well as play music. The recordable, blank CD is not yet commercially available, but it is technically feasible and many expect it to be on sale eventually.

The next development is likely to be digital audio broadcasting, which will allow radio stations to broadcast high-quality, interference-free sound from terrestrial transmitters to purchasers of special receivers.

Mr Henry Price, head of engineering information at the BBC, says he expects digital audio broadcasting to begin in Germany in the second half of 1995, and in the UK shortly after that. In theory, listeners could then make digital recordings of rock songs or concerts, but Mr Price wonders how many will.

The UK already has the digital Nicam television sound system, enabling people to record CD-quality music. Even analogue radio transmissions can provide an acceptable level of sound for decent recording. But there is not much evidence of widespread recording from radio or television.

Even with DMX, there is the disadvantage that you cannot record what you want when you want it. The 30 channels have a daily programme of music and, while subscribers can select one, they cannot choose an album or track.

Similarly, while television watchers can make a video recording of a film on a networked or subscription channel, if they want a particular title they have to wait until it appears on the schedule – or rent it from a video shop.

If current methods of buying music or renting videos are to be replaced, subscribers will have to be able to choose the recording or film they want when they want it.

Time Warner, the US media group, is already promising cable subscribers the right to choose, with the announcement last month of an "electronic superhighway". The group, the second largest cable company in the US, will use digital storage and compression technology (see inset) to offer subscribers a wide range of movies on demand. The "electronic superhighway" will start on an experimental basis in Orlando, Florida, in early 1994.

Time Warner says it has no plans to offer music on demand, but Mr Michael Tyler, a partner with consultants Booz Allen & Hamilton, says the technology can be used to do so.

The Virgin group, which owns 70 music and entertainment megastores worldwide, says it does not believe these trends will put it out of business. Mr Will Whitehorn, the group's spokesman, says that, while smaller record shops might suffer, large outlets can adjust by selling other products. With music sales slowing, Virgin's stores are devoting more space to computer games. Products which the company believes could become more important include laser discs. "There's always going to be some sort of software that people want to collect," he says.

Virgin sees no reason to alter its plans to have 200 megastores by 1996. People like a CD or cassette box and the pictures and information that go with them, Mr Whitehorn says. He argues that there will always be people who like browsing in music stores.

Blockbuster, which last year announced a joint venture with Virgin to build music megastores in the US and continental Europe, does see ways in which electronic delivery can, in the meantime, help retailers.

It is currently experimenting with a system called "Soundsational", which could deliver high-quality copies of an album – in cassette or compact-disc form – from a computerised centre to an individual record store in a matter of minutes. Soundsational's advantage is that it could significantly curtail the store's stock of older or less popular records. Mr Castell says the company hopes to test the system within the next 12 months.

Surfing across the screen

Broadcasters around the world are starting to take notice when two rather technical words are mentioned – "digital compression". They refer to techniques dating from the 1970s by which the 400,000 or so individual elements in a single frame of a television picture are turned into digital form and broadcast to the viewer. What will soon be on offer is nothing less than an entertainment revolution.

British viewers who have scarcely had time to get used to the 20 or 30 channels now available on cable and satellite, in place of the conventional handful of national broadcasting choices, may soon have to start contemplating the possibility of several hundred television channels coming into their homes from all over the world.

Experts at this week's Financial Times Cable and Satellite conference seemed in agreement that 180-channel systems using digital technology are now no more than two years away.

The changes about to hit the small screen are so significant that new words are being coined to cope with the concepts: for example, "grazing", the term used to cover the behaviour of viewers dipping into and sampling a wide range of channels, is giving way to "surfing" a word describing the likely behaviour of viewers skimming gracefully over the surface of an endless choice. To Goldman Sachs, the US merchant bank, the merging of sound, pictures and computers in digital form is creating a new "Communicopia".

No one can forecast precisely how many channels will prove to be commercially viable. But Mr Celso Azevedo, technical director of Societe Européenne des Satellites, the Luxembourg-based company which runs the Astra satellite system, promised at the conference that the option of 180 channels would be available by 1995. Another satellite with a further 180 channels was being considered by Astra, he said.

Using digital compression, 10 channels could be squeezed into the space now occupied by one, said Mr Azevedo. Microchip technology makes this possible. With pictures arriving on the screen at the rate of 25 a second, each frame is not very different from its predecessor. An individual frame is held in the microchip memory and only the differences between one frame and the next are identified and transmitted. This means a huge saving in channel capacity.

However, there is a trade-off between the number of channels and the quality of the picture: if viewers want higher-quality pictures, or wide-screen television, it will mean fewer channels.

Digital compression is not just being considered in Europe. In Asia, the Hong Kong-based Star Television satellite company currently broadcasts five channels of television, including BBC World Service Television, to 38 Asian countries. It is considering moving to 180 channels by 1995. In the US, Hughes Communications plans to launch a 150-channel system next year using digital compression.

But why should anyone want 180 or even 360 channels? The driving force is coming from movies on demand. Pay $5 and see a hit movie now – or almost now. Compression will dramatically cut the cost of satellite transmission and make it possible to devote six channels to showing the same film. Because of staggered starts, viewers will rarely be more than 20 minutes away from watching the film of their choice.

With more than 15 years' experience of pay-per-view movies on conventional cable systems, Mr Edward Bleier, a senior Time Warner executive, can offer straightforward advice on how to make the business a success.

"Concentrate on the hits. Like theatres, video stores, airline terminal book racks, almost all the business is in the hits," said Mr Bleier.

The new pay-per-view for "hit" movies, which could over the longer term undermine the video store, will help to bankroll a wide range of low-cost existing entertainment channels from the US, and programmes for ethnic minorities or special interest groups.

At the moment it costs about £4m to lease a satellite transponder which receives a single channel from earth and beams it back again. Divide that channel distribution cost by 10 and suddenly a lot of things become possible.

Already, there is no shortage of people interested in using digital compression to provide happy surfing in a new Communicopia.

Raymond Snoddy

Extension of council tax bandings would be more in touch with reality

From Mr Kenneth Hunt.

Sir, I have recently written to my MP concerning the adoption of the council tax, which I see as a reversion to the old rating system, but under a redesigned label. In my view, this tax is flawed at the top of the scale, reflecting a government thoroughly out of touch with reality.

Although my reaction is stimulated by complaint, it is accompanied by a proposal for the extension of the valuation banding in a form which I believe to be more rational and more "sensitive" than is the present format.

Why stop bands at "more than £320,000" when, around the country, in every county, on the perimeter of every largish town there are pockets of properties in value, even now, up to about £500,000?

The existing scaling reveals a percentage differential between Bands A-F inclusive of about 30 to 35 per cent, but after £160,000 the incremental percentage jumps to 100 per cent. I suggest that valuation bands are extended quite logically and realistically to establish a scale cut-off at "more than £550,000". Thus:

Band G – more than £160,000 and up to £220,000;
Band H – more than £20,000 and up to £300,000;
Band I – more than £300,000 and up to £400,000;
Band J – more than £400,000 and up to £550,000;
Band K – more than £550,000.

This probably brings with it potential for improvement in council revenues.

When such a scaling is introduced, I for one would feel rather better disposed towards the new tax than I do at present, when my small bungalow finds itself in Band G.

Obviously, I have applied for an appeal form, in line I must assume with thousands of others.

Kenneth Hunt,
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Woking,
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LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Coal industry not dealt a blow by report

From Mr Martin O'Neill MP.

Sir, Far from dealing a blow to Britain's coal industry ("Regulator deals blow to coal lobby", February 23), Offer's preliminary report in December was roundly criticised by both industry and independent commentators. Its "further statement" shows that it has failed to address many of these criticisms.

Offer has repeated its earlier mistake of comparing contract prices instead of generating costs. Professor Littlechild has stated that he will examine in the future the generators' huge margins on coal-fired electricity. However, any proper assessment of the "dash for gas" must take account of these now.

There is considerable evidence that the cost of coal burn is less than that of gas-fired generation. I am confident that, once the generators pass on reduced coal prices in their contracts to the regional electricity companies, coal will prove to be cheaper than gas. However, until the director-general has conducted his examination of generators' margins, his report will effectively be meaningless.

Finally, the report fails to take proper account of the higher gas supply contracts for later CGGT projects, and does not examine the damaging implications of the dash for gas for future gas reserves and gas prices. In conclusion, Offer's misleading "economic purchasing review" is anything but a "green light" for the dash for gas.

Martin O'Neill,
House of Commons,
London SW1A OAA

Dearth of information on needs of manufacturing base

From Mr Roger Lyons.

Sir, May I congratulate you on starting your series on the decline of Britain's manufacturing base. It is research which is desperately needed if we are to put that decline into reverse.

Unfortunately, the government does not appear to be concerned about the matter. May I refer you to the written question put down by Nigel Spearing MP (Newham South). The question was: "To ask the president of the board of trade if he will list the manufactured products which ceased to be manufactured in the United Kingdom since 1980."

The answer from Tim Sainsbury, minister for industry on Wednesday February 17 was: "There are a number of sources of information on manufacturing products but none is sufficiently comprehensive to allow for an accurate answer."

Does that not say it all about this government and the president of the board of trade? They do not know how or even where to start on the vital process of rebuilding our manufacturing base.

It would be laughable if it was not so tragic. Thousands of jobs are being lost in the industries which we so urgently need to rebuild Britain's wealth.

Roger Lyons,
general secretary,
MSF,
64-66 Wandsworth Common Northside,
London SW18 2SH

VAT on food best available option for government

From Mr Hubert Scholes.

Sir, Mr Geoff Rayner and Mr Tim Lang describe VAT on food as a banana skin the government must avoid (Letters, February 20).

On the contrary, if and when the chancellor needs to raise more revenue, this (with similar action on other zero-rated goods) is the best option available.

Of course, if we look at VAT in isolation, it would be a "tax on the poor" but the poor can be relieved of the burden by raising income tax thresholds and welfare benefits, leaving substantial net revenue to be raised from those who can afford to pay.

Ending zero-rating would remove economic distortions, eliminate tiresome administrative anomalies (reducing, rather than increasing, bureaucracy) and bring the UK more closely into line with its European partners, where Britain's regime has been a long-standing source of difficulty.

It would also help to shift the balance from taxing income to taxing expenditure, which many regard as both fairer and less of a discouragement to enterprise.

Hubert Scholes,
5A Lancaster Avenue,
Farnham,
Surrey GU9 8JY

Expensive reality of road tolls

From Mr R J Connell.

Sir, Your editorial, "Paying for roads" (February 23), prompts me to inform you of the real cost of road privatisation. My company's vehicles use the Severn River toll crossing every day. It now costs £9.30 for each heavy goods vehicle to cross into Wales. In the nine months since privatisation these tolls have been raised twice and are now 55 per cent higher than at this time last year.

R J Connell,
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Mounton Road,
Chepstow, Gwent NP6 6AA

COMPANY NEWS: UK

Total dividend for 1993 expected to be raised by 43% to 5p

Owners focuses on Cook tie-up

By Richard Gourlay

OWNERS ABROAD yesterday increased its estimate of benefits that should arise from its proposed tie-up with Thomas Cook, the travel and financial services group and said it expected to recommend a 5p total dividend for the year to October 1993, a 43 per cent increase over last year.

In the last defence document in which it can introduce new financial information, Owners Abroad said the revised figures further demonstrated that the £325m bid from rival holiday group, Airtours, understated its value and potential.

The company said the benefits of the tie-up with Thomas Cook, which is controlled by Westdeutsche Landesbank, the German state bank, had risen from its original estimate of at least £7m to at least £9m for 1993-94. Estimates for the following year had been raised from £8m to £11m.

Mr Howard Klein, Owners' chairman, said that if the Airtours bid succeeded, an enlarged group would have to make savings of £22.3m in the first full year after acquisition and £27.3m in the following year if Owners shareholders were to enjoy equivalent benefits to those that would flow from the Thomas Cook tie-up.

This was based on the fact that Owners shareholders would end up with only 40 per cent of the enlarged group if they accepted the Airtours share offers.

City observers said that by turning the focus of debate to

Howard Klein: Cook tie up would benefit Owners at no extra cost

the future and what Owners shareholders could expect from Thomas Cook, Owners Abroad had produced its most robust argument yet.

Mr David Crossland, Airtours' chairman, said Owners had been selective with its figures when the facts showed that the rate of Owners Abroad's improvement in trading over the past year was actually slowing down.

Owners Abroad's revised estimates of benefits have been verified by its auditors, BDO Binder Hamlyn, and advisers, Samuel Montagu. The increased estimates followed "a better understanding of the retail arrangement [with Thomas Cook]," said Mr Geoffrey Stone, finance director.

Mr Klein said these arrangements would benefit Owners at no extra cost. Thomas Cook would be marketing Owners Abroad's Enterprise brand standard family summer holidays in a brochure that carried the Thomas Cook name.

Thomas Cook had a similar one year deal with Sun World, and estimated from that experience that it could deliver Owners Abroad with 80,000 additional passengers on this product in the first year.

There was already a similar marketing of Owners' upmarket Sovereign brochure and its flight-only Falcon brochure, which was being wrapped with the Thomas Cook name; and Owners would also market Thomas Cook's high cost, high margin, Faraway Collection holidays with a Sovereign wrap.

Mr Klein said the increased estimates for the benefits of the tie-up were based on the assumption that 40 per cent of the passengers promised by Thomas Cook would have switched from Owners' holidays and could not, therefore, be counted as new business.

In the year to end-September 1993, Airtours will, however, have the help of acquisition accounting. Airtours could provide for the losses on Owners Abroad's winter operations, writing them off against the balance sheet, but could take all Owners Abroad's summer profits to the enlarged profit and loss account.

This would dramatically enhance earnings per share because of the highly seasonal nature of profits in the holiday business; Owners Abroad made a £26m loss in its 1991-92 winter, but profits of £56m in the second half.

If the bid succeeded, Mr Klein said: "this year could be a fantastic year [for Airtours] but watch out for next year" when the winter losses would depress 1994 profits.

Mr Crossland said no shareholders would be looking at an enlarged group's eps this year. What really mattered was the year ending September 1994, when Airtours would have chosen the brochures and decided the pricing and would have had a full year with Owners Abroad.

Isosceles may settle refinancing next month

By Maggie Urry

ISOSCELES, the parent of the Gateway food retail chain, put its business plan to its 38 banks yesterday morning and now hopes it can finalise its £1.4bn refinancing next month.

This would be well before May 28, the expiry date of the standstill agreed with the banks before Christmas.

The meeting is believed to have been positive. Since Mr David Simons became chief executive on January 4 he has apparently impressed the banks that he is getting a grip of a business which had suffered several top management changes.

The business plan, which won approval from OC&C, the management consultants, will form the basis of the refinancing, with the group's balance sheet being tailored to its ability to service debt.

The refinancing is expected to involve a debt for equity swap, although not as large as earlier estimates, in part thanks to the fall in interest rates. Equity holders will be severely diluted.

Mr Simons has rapidly simplified the structure of Gateway. He has also put the development of new retail formats on hold while making a priority of ensuring the shops are properly stocked, tidy and have chiller cabinets that work. Development of computer systems is also a priority.

Suppliers to Gateway had precipitated the pre-Christmas standstill as they became nervous about Gateway's credit standing. The standstill agreement allayed those fears, and Gateway is understood not to have had to draw on an extra working capital facility provided at that time.

However, there is a fear that suppliers could again become concerned as the May 28 deadline approaches and this is putting pressure on the group and its banks to reach an early agreement.

Severn Trent to pay £33m for East Worcester Water

By Andrew Adonis

SEVERN TRENT, the Midlands water and sewerage group, is buying East Worcester Water, a small supplier, for £33.1m.

East Worcester is the latest in a string of acquisitions this year by the "big 10" water and sewerage companies privatised in 1989, but the first of the 22 small water companies to be purchased by one of the 10.

The agreed deal has been cleared by Ofwat, the water industry regulator, after assurances that a high proportion of the prospective savings will be passed on directly to customers.

Ofwat said it expected to see East Worcester's former customers gain an average of £18 each over the next two years as their prices come into line with those of Severn Trent.

Mr John Bellak, Severn Trent chairman, said the arrangement had "strong commercial logic. The activities of East Worcester are well known to Severn Trent and the two companies have a long history of working together".

East Worcester's 100,000 customers, all south of Birmingham, are among the 3.3m receiving sewerage services from Severn Trent.

East Worcester is owned by Biwater, the water engineering group which also owns Bournemouth and West Hampshire Water companies. Its 1992 results, released earlier this week, showed a pre-tax profit of £3.88m on a turnover of £18.7m.

Mr Alan Booker, Ofwat's deputy director general, said Severn Trent's customers would benefit from greater security of supply and East Worcester's from lower prices.

He cited the 1990 Three Valleys merger, cleared by the government after a reference to the Monopolies and Mergers Commission, as a precedent.

The "big 10" are the sole providers of sewerage services, and supply water to more than three quarters of households in England and Wales.

Of the 22 small suppliers, almost half have been acquired in recent years by three French companies – Compagnie Générale des Eaux, Lyonnaise des Eaux-Dumez and SAUR. Eight have shares listed on the Stock Exchange.

Mr Bill Dale, water industry analyst at Warburg Securities, said Severn Trent's move was unlikely to lead to a rush of bids by the "big 10" for the smaller companies. "Looking around the regions, there are not any other immediate candidates."

In December Severn Trent reported interim pre-tax profits of £141m, with an interim dividend of 7p out of earnings of 37.5p a share. It was criticised by Ofwat for "erring too much in favour of shareholders and too little on the side of the customer."

In response, Mr Bellak pointed to £585m of investment in the previous financial year and an understanding that dividend growth was "above inflation."

Severn Trent is the seventh of the "big 10" to make a sizeable acquisition this year. Earlier this week Welsh Water paid £56m for Acer, the engineering consultant group.

Isotron advances 13% to £1.44m

By Andrew Adonis

ISOTRON, the Swindon-based food irradiation company, reported advances in interim profits and turnover.

Pre-tax profits for the six months ended December 31 were 13 per cent up at £1.44m, against £1.28m on turnover 10 per cent ahead at £3.48m (£3.14m).

Earnings per share were 7.8p (6.9p) and the interim dividend has been raised to 1.51p (1.37p).

Mr Colin Clive, chairman, said turnover in medical sterilisation was close to plan and ahead of last year, while business in the chemical sector was better than expected.

Capital spending was low, and the company's cash position improved by £1.1m to £4.89m over the six months.

Sphere proposes creation of new packaged share

By Philip Coggan, Personal Finance Editor

SPHERE Investment Trust, a split capital trust, has revealed proposal to create a new packaged share, combining the current income and zero dividend preference shares.

The move reflects concern at the trust that its investment performance was being obscured by the volatile nature of the different classes of capital.

Split capital trusts are designed to maximise demand by creating securities that have tax advantages for different classes of investors. In recent years, there has been an explosion of split issues, particularly linked to Personal Equity Plans, where income and profits are tax-free.

Some critics feel, however, that such structures can be complex and risky and may result in confusion among small investors. The Sphere change is designed to create a security with similar characteristics to those of ordinary shares in a conventional investment trust.

The Package unit will comprise 8 ordinary income and 7 zero dividend shares. It should be less volatile than either of the existing classes of share.

Write-downs expected to hit Ladbroke

Ladbroke Group's 1992 pre-tax profits, due out on Thursday, are expected to show a substantial fall following the first above-the-line write-down of its £1bn property portfolio.

The write-down is estimated at 15 per cent, or roughly £150m. Previous provisions have eroded balance sheet reserves, causing the latest cuts in valuations to be taken as a charge against profits.

Before property provisions, profit is forecast to fall from £210m to less than £190m.

The provisions do not represent an outflow of cash. When Mr Cyril Stein, chairman, was asked about the prospect of a property write-down last September, he commented that if one were made, it would only be "a book entry".

It would not affect the final dividend, which the board was planning to hold at 6.23p, making a total of 11.15p.

The figures are expected to include gains of about £40m from hotel sales – a profit source vulnerable to the new FRS 3 accounting rule.

While Ladbroke's Hilton International hotel chain continued to experience difficult markets last year, analysts are hoping to hear that the pound's devaluation has brought signs of life to London hotels. On the other hand, Texas Homecare, the DIY chain which was the star performer in 1991, is thought to have suffered a downturn since black Wednesday.

Scottish & Newcastle links with Mansfield to boost lager sales

By Tim Burt

SCOTTISH & Newcastle, the brewing and leisure group, yesterday announced a commercial partnership with Mansfield, the east Midland brewer.

Under the agreement, Mansfield will stop brewing Marksman draught lager and instead supply its 436 pubs with S&N's McEwans.

In return, the Edinburgh-based group is selling 11 pubs to Mansfield for £2.2m and will stock the brewer's cask conditioned beers in some of its 1,871 outlets.

Mansfield shares rose 17p to 702p on the news. Scottish & Newcastle closed up 1p at 435p.

Mr Jim Merrington, corporate affairs director at S&N, said the deal would offer new outlets for McEwans while Mansfield, which has been seeking acquisitions outside its core Midlands region, would gain new pubs in Lincolnshire and Yorkshire.

Although he declined to reveal the details of the financial agreement, Mr Merrington said: "The £2.2m is the value of the pubs and does not represent a payment to S&N."

Industry analysts said the Midlands brewery is likely to have been offered an S&N loan to buy the pubs and predicted the group would recoup the outlay through additional volume sales of McEwans.

S&N expects to sell an extra 30,000 barrels a year through Mansfield outlets at a profit of up to £20 a barrel.

Mr Colin Stump, commercial and marketing director at Mansfield, said: "We do have a finance agreement with S&N to help us find the £2.2m which is on favourable terms. Our strategy is one of continual growth and we're very much on the acquisition trail." Further big purchases would be financed through borrowing, he added.

This latest acquisition follows a large expansion last year when Mansfield bought 115 pubs from Courage.

Analysts, however, said the agreement was less significant for Mansfield than S&N, which hopes to use an increasing number of regional outlets to boost lager sales and challenge Britain's top-selling brands.

Administrators put Platt Saco up for sale as recession bites

By Andrew Baxter

PLATT SACO Lowell (UK), one of the UK's biggest remaining textile machinery manufacturers, has been put up for sale by administrators from KPMG Peat Marwick.

The company emerged in 1982 from the controversial receivership of Stone-Platt Industries with new owners, the oddly-named South Carolina company John D. Hollingsworth on Wheels.

However, it has been hit recently by a worldwide slump in orders for its cotton processing equipment.

Earlier this month directors asked a court to put the business into administration, giving protection against creditors while allowing time for attempts to be made to sell it or turn it round.

Mr Mike Seery and Mr Peter Terry from KPMG, appointed joint administrators, are trying to sell Platt as a going concern.

Platt had turnover of £10m last year.

Its present workforce, following eight redundancies in the administrative staff, is 260.

KPMG said yesterday that Platt had state-of-the-art manufacturing technology, and had an international reputation for its spinning and fibre preparation equipment.

Strong second half helps Mallett to £0.52m

By Peter Pearse

MALLETT, the antique dealer, saw pre-tax profits halve from £1.12m to £519,000 in the year to December 31, though this disguised a strong second-half performance. And last year's figure included an exceptional credit of £660,000.

The company recently broke off merger talks with an unnamed company, thought to be Asprey, the silver, jewellery and luxury goods company.

Having incurred pre-tax losses of £485,000 in the first six months, the company made profits of £1.1m before exceptional items in the second half. Mr Peter Dixon, company secretary, ascribed the turnround to the global improvement in the art market in general, sterling leaving the ERM and its devaluation.

Turnover slipped to £8.17m (£8.39m), though operating profits climbed to £802,000 (£537,000). Interest payable doubled to £176,000 (£84,000).

The exceptional charge of £108,000 related to the relocation of all Christopher Wood Gallery activities into the New Bond Street premises.

Earnings fell to 2.52p (5.96p) per share and after the passing of the interim a final dividend of 2p is recommended. Last year's total was 4.5p.

Gabicci in discussions with a possible buyer

By Catherine Milton

GABICCI, the USM-quoted casual clothing group, yesterday admitted it is in talks with a possible buyer after speculation about a bid caused a fluctuation in its share price this month.

The group also warned that its interim results for the six months to December 19 1992 were likely to fall short of expectations.

Gabicci's share price fell to a little above 20p earlier this month from a plateau of about 45p at the end of last year. They closed at 47p yesterday.

Rival clothing companies, Helene and Campari International, are seen as potential bidders.

Campari sells to a younger market than Gabicci, but a merger would allow for rationalisations in design, sourcing and distribution since the two groups are virtually neighbours in North London, one analyst said.

However, he added, although Campari is cash rich, the group was likely shortly to announce profits down by about 35 per cent and might lack institutional support for acquisitions.

Gabicci was in talks with Helene last year but discussions collapsed in November.

Hotspur Invs

Hotspur Investments lifted its net asset value from 310.5p to 354.7p per share over the 1992 year.

The trust's net revenue dipped to £54,366 (£56,296) for earnings of 8.8p (9.11p) per share. The single dividend is maintained at 8.6p.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Alexanders ....fin	nil	-	1	nil	1
British Assets ....int	1.07‡	Apr 7	1.04	-	4.19
Isotron ....int	1.51	May 7	1.37	-	3.94
Tor Inv Trust ....int	10☆	Apr 30	10	-	40
Waterman Partner....int	0.5	Apr 16	0.5	-	1

Dividends shown pence per share net except where otherwise stated. †On increased capital. §USM stock. ‡For first quarter. ☆Second interim.

LONDON RECENT ISSUES

EQUITIES

Issue Price	Amt. Paid up	Latest Renunc. Date	1993 High	1993 Low	Stock	Closing Price	+ or -	Net Div	Times Cov'd	Gross Yield	P/E Ratio
51	F.P.	–	68	52	Intl Food Machinery	67	+1	–	–	–	–
–	F.P.	–	93	91	¶Merlin Intl Units	91	–1	–	–	–	–
§210	F.P.	–	280	262	Motor World	266	+1	R6.3	2.5	3.2	14.6
–	F.P.	–	98	84	New City & Comml. Inv.	86		–	–	–	–
–	F.P.	–	28	18	Do Warrants	18		–	–	–	–

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1993 High	1993 Low	Stock	Closing Price £	+ or -
–	F.P.	-	108½p	102¾p	Airtours 6¾p (Net) Cv. Pf (ex-div)	108½p	+½
100p	F.P.	-	120½p	115½p	Bristol Water 8¾pc Pf.	118¾p	-¼
100p	F.P.	-	110½p	105¾p	Commercial Union 8¾pc Cm. Pf.	110p	-¼
100	F.P.	-	114⅛	109⅞	NFC 7¾pc Cv. Bd. 2007	110⅞	
60p	F.P.	-	60p	54p	Merlin Intl. Green Zero Pf.	59p	

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1993 High	1993 Low	Stock	Closing Price p	+ or -
48	Nil	23/3	4pm	4pm	Allied Leisure	4pm	
320	Nil	31/3	62pm	55pm	Bellway	59pm	-2
440	Nil	11/3	97pm	78pm	Bowater Units	82pm	+6
493	Nil	24/3	102pm	53pm	Commercial Union	64pm	+9
450	Nil	15/3	109pm	95pm	Kingfisher Units	95pm	-12
15	Nil	29/3	3½pm	1½pm	ML Holdings	3½pm	
7½	Nil	5/4	8pm	6½pm	MMI	6½pm	-½
520	Nil	18/3	67pm	64pm	‡Menzies–Swain	67pm	
40	Nil	11/3	42pm	32pm	PizzaExpress	37pm	+4
25	10p	1/3	23	12	Property Trust	21	-2
17	Nil	31/3	1pm	¼pm	‡SelecTV	1pm	+¼
140	Nil	6/4	28pm	27pm	Triplex Lloyd	28pm	
345	Nil	9/3	70pm	55pm	Volex	61pm	-4
330	Nil	18/3	47pm	34pm	Yorkshire Chemicals	40pm	

a Annualised dividend. b Figures based on prospectus estimates. g Assumed dividend and yield. q Earnings based on preliminary figures. o Forecast or estimated annualised dividend rate, cover based on previous year's earnings. z Ex-dividend. F Dividend and yield based on prospectus or other official estimates for 1992-93. H Dividend and yield based on prospectus or other official estimates for 1993. L Estimated annualised dividend, cover and p/e based on latest annual earnings. N Dividend and yield based on prospectus or other official estimates for 1992. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ‡ Issued by way of rights. † Introduction. ¶ Placing price. †† Reintroduction. ‡ Unlisted securities market. ‡ Issued in connection with reorganisation, merger or takeover. pm Price at a premium. ¶ Units comprising 1 ord. and 1 zero pref. share.

TRADITIONAL OPTIONS

- First Dealings Feb 22
- Last Dealings March 5
- Last Declarations June 3
- For settlement June 14

3-month call rate indications are shown on page 11.

Calls in: Cupid, Hartstone, Mirror Group, Ossory Est., Polar, Ransomes, Ramco, Sutcliffe Speakman, Tadpole Tech., Tesco, Tottenham and Vardon. Puts in: Airtours, Dewhurst and ZCI. Puts & Calls: ASDA, Microvitec, Monument Oil, Ransomes and Williams Hldgs.

NEWS DIGEST

Alexanders falls £1m into the red

ALEXANDERS Holdings, the Ford main dealer, reported a pre-tax deficit £998,000 for the year ended September 30 1992.

That compared with a restated profit of £405,000 for 1991 and came from turnover up from £85.4m to £89m. Losses per share came out at 2.15p (0.65p earnings). The balance sheet shows a deterioration of net assets from £8 to £6.74m.

As a result of an investigation instigated by Mrs Alexandra Clayton, the chairman, prior year adjustments have been made to the profit and loss account amounting to £1.57m, of which £1.35m relates to 1990. A further loss has to be borne in the 1992 accounts on surplus and over-age used vehicle stock.

A charge of £639,000 has been made to the profit and loss account and to the revaluation reserves relating to the properties at Greenock. This was offset by a profit of £98,000 on the sale of two of the properties.

A revaluation of the other properties in the group as at end-September 1992 has led to a drop of £1.06m from their 1988 value.

Tor Investment net asset value up 14%

Net asset value per capital share at Tor Investment Trust increased 14 per cent from 1063.6p to 1204.4p over the 12 months to the end of January.

The income share figures improved from 141p to 144.4p.

Net revenue for the six months to January 31 improved to £593,000 (£579,000) for earnings per income share of 14.67p (14.3p). A second interim dividend of 10p is being declared making an unchanged 20p so far.

Arcadian trims loss to £302,000

Losses at Arcadian International, the property investor, developer and project manager, were cut from £502,000 to £302,000 pre-tax over the six months ended October 31.

A drop in turnover to £196,000 (£2.41m) reflected the absence of property disposals.

First half losses took in exceptional credits of £205,000 (£107,000). Losses per share emerged at 4.3p (8.7p).

Difficult times for BG Shin Nippon

Baillie Gifford Shin Nippon had a diluted net asset per share of 111.1p at the year ended January 31, against 85.6p at the halfway stage and 134.4p 12 months earlier.

The net loss for the year was £134,831 against £106,562. Losses per share came out at 0.84p (0.66p). The directors said it had been another difficult year in the Japanese stock market with the Tokyo second section index falling 29.4 per cent in yen terms and by 14.5 per cent in sterling terms.

IMC Industries lower at £202,000

IMC Industries reported pre-tax profits for the six months to October 31 down from £301,000 to £202,000 on turnover almost tripled at £2.97m, against £1.02m. Earnings per share fell from 0.13p to 0.09p.

The USM-quoted company said that its acquisition of Alpine Soft Drinks and development of the video tape side had partly made up for the reduced contribution from the Skyview inflight entertainment operation.

The company is a subsidiary of Cursitor (Fifty-Two).

Greenwich Comms cuts loss to £57,000

Reduced pre-tax losses of £57,500 were announced by Greenwich Communications, the USM-quoted television services and property rental group, for the year to August 31 1992. Previous losses amounted to £763,300.

Mr Alfred Stirling, the chairman, said that, as indicated last year, the company's revenue sources had been reduced to two – Tex House rental income, still not fully let due to the glut of property on the market in the Woolwich area, and Greenwich Satellite Portugal, the 80 per cent owned Portuguese subsidiary which had produced a pre-tax profit of £32,000 (£21,000 losses).

Turnover improved from £288,700 to £421,700 and there were exceptional losses of £39,800 (£534,200).

Losses per share were cut from 10.9p to 0.9p.

de Morgan losses cut to £131,000

de Morgan Group, an adviser on all aspects of commercial, industrial and retail property, achieved a reduction in pre-tax losses from £814,000 to £131,000 for the six months ended October 31.

The improved results reflected in part higher turnover of £987,000 (£753,000) and further significant cost savings. Operating costs were cut to £1.1m (£1.57m).

Tax credits of £5,000 (£280,000) left basic losses per share at 0.27p (1.15p).

SEET reduces deficit to £65,000

Pre-tax losses at SEET, the Edinburgh-based textile company, were reduced to £65,000 in the six months to October 31. That compared with a deficit of £455,000 for the comparable period and with a loss of £530,000 for the year to April 30.

Sales for the half year increased by 39 per cent, from £3.27m to £4.54m, and the group was able to reduce borrowings by more than half with the £1.28m proceeds from the sale of Kenneth Mackenzie Holdings. Losses per share were cut to 3.2p (10.5p).

BBB Design reduces deficit to £165,000

BBB Design Group, which is involved in design, marketing and computer related activities, cut its pre-tax losses from £189,000 to £165,000 in the six months to October 31 1992. Turnover improved to £874,000 against £896,000.

Mr Philip O'Donnell, chairman of the USM-quoted company, said the design, publishing and marketing operations had been profitable.

He said the group would be looking towards an upturn in sales, particularly in the computer services division which had reported reduced losses during the first half.

Losses per share increased to 1.89p (1.77p).

North of England Building Society

North of England Building Society achieved a rise in pre-tax profits from £15.4m to £16.7m in 1992.

Total income amounted to £24.1m (£29.7m). The pre-tax result was after higher management expenses of £16.4m (£13.8m) and increased provisions of £1.05m against £434,000.

Group assets grew by 16 per cent to £1.42bn.

Waterman Partners back in the black

Waterman Partnership Holdings, consulting engineer, achieved a turnround from pre-tax losses of £235,000 to profits of £56,000 in the half year to December 31. There were losses of £2.72m in the last full year to June 1992.

Work done during the period amounted to £3.62m (£3.84m). The interim dividend is held at 0.5p, which is not covered by earnings of 0.2p (losses 0.8p) per share.

Mr Bob Campbell, managing director, said the group remained committed to maintaining a tight control of operating costs. New commissions which had been won included County Hall in London and Gatwick south terminal.

Investment Trust of Guernsey assets up

The Investment Trust of Guernsey had a net asset value of 66.3p per share at December 31, up from 58.7p a year earlier.

Net revenue amounted to £1.65m (£1.54m) for earnings of 2.18p (2.08p) per share.

A recommended final dividend of 1.56p lifts the total to 2.2p (2.04p).

Dividend reduced at Merlin Intl Green

Net asset value at Merlin International Green Investment Trust advanced from 90.48p to 106.55p over the 1992 year.

Available revenue fell from £630,374 to £593,648, equivalent to earnings of 2.38p (3.5p) per share. A final dividend of 1.1p is recommended for a reduced total of 2.1p (3.15p).

COMPANY NEWS: UK

Landlords' landlord calls time on traditional relationship

Philip Rawstorne considers the problems facing the response of GrandMet and Courage to the government's beer orders

OUTSIDE the annual meeting of Grand Metropolitan last Tuesday publicans were protesting that the food and drinks group was charging "excessive" rents on its pub properties.

The alleged hardship and havoc that resulted were "Killing Our National Heritage: The Pub", one sign proclaimed.

Inside, Sir Allen Sheppard, chairman and chief executive, was giving shareholders a more upbeat appraisal. The leases the company offered through Inntrepreneur Estates, its joint venture with Courage, the brewer, were helping to transform the pub trade into a more consumer-oriented business.

Only "a very small minority" of Inntrepreneur's 4,700 leaseholders were trading unsuccessfully. "Rents are not imposed. They are agreed by both parties."

But for some licensees the economics are not working.

"Inntrepreneur wants £1,500 a week from me in rent and arrears, but my weekly takings are only £1,000," said Mrs June Varty, licensee of the Gardeners Arms at Droylsden near Manchester.

The two sides have argued for several years over leases and rents but a deepening recession in the pub trade has brought an extra edge to the debate. Disgruntled publicans have formed the National Association of Inntrepreneur Licensees to press their case with GrandMet and in the courts.

Nail's concern is not just the level of rents but some of the terms of the 20-year leases. Three years ago, Courage and GrandMet told the Monopolies and Mergers Commission inquiry into the establishment of the Inntrepreneur joint venture that the move from short tenancies to long leases was inevitable.

The resulting MMC report said that the companies argued that "twenty year leases for public houses would develop whether or not the transaction went ahead. They were appropriate in changing market conditions".

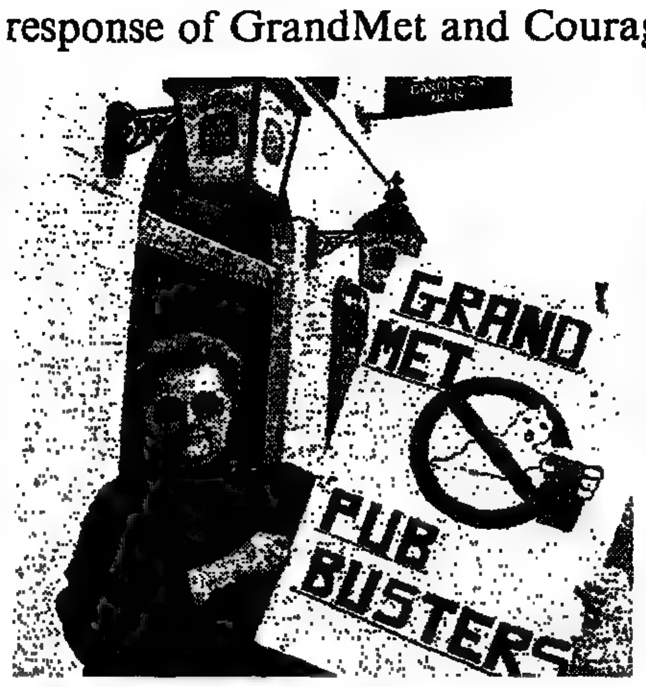
The National Licensed Victuallers Association, however, expressed concern about the leases to which GrandMet had begun to convert its own pub tenancies in 1988.

The NLVA told the MMC that it accepted the principle of the leases. But it complained that the terms of letting and the management tactics of GrandMet had caused "grief and heartache" to many erstwhile licensees.

"If pitfalls in the basic terms of the lease, such as high rents and penalties for failing to achieve the minimum purchasing obligation, could be rectified, the businesses could be run successfully," the NLVA said. But it "daily handled many examples of lessees facing financial ruin as a direct result of these terms".

The MMC ignored the licensees' pleas and Inntrepreneur was established with its commercial plans to convert all the pub tenancies of its merged estate to 20-year leases intact.

GrandMet devised the leases in anticipation of the 1989 MMC report on competition in the brewing industry which persuaded the government to loosen the grip of national brewers on pub retailing by forcing them to free a third of their pubs from exclusive beer supplies.



June Varty: charges of £1,500 a week but only taking £1,000

The government orders sharpened the brewers' focus on their retailing operations. In reshaping their estates, they were forced to evaluate the potential profitability of every individual pub; to treat them like other mainstream forms of commercial/retail property.

As GrandMet had foreseen, long-term assignable leases offered brewers the best way of maximising profits from pubs in a more competitive environment. In return for market rents and liability for repairs, the pub landlord could be offered greater security and a chance to share in the capital appreciation of the business.

Inntrepreneur, which was the first important response from the industry to the government orders, set an example that has been followed by other national brewers.

Bass, the UK's largest brewer, has converted more than 1,000 of its pub tenancies to long-term leases. The Whitbread pub partnership scheme covers 2,300 of its licensees.

When Inntrepreneur began trading in 1991, GrandMet had converted 2,000 of the 3,150 tenanted pubs it brought to the venture. Of the enlarged estate of 6,850 pubs, about 4,700 are now on long-term leases. The aim is to convert the rest over the next 12 months.

Recession has added to the difficulties of the restructuring. Inntrepreneur – and its lessees – have been hit by falling property values and the squeeze on consumer spending.

Rents agreed in the more buoyant market of a few years ago have been tougher for licensees to meet as trading conditions have declined.

Pub beer sales fell by up to 5 per cent last year and the failure rate of Inntrepreneur leaseholders rose. Some 9 per cent of them have gone out of business in the past two years.

The value of Inntrepreneur's pub estate was estimated at £2.8bn when the deal was first proposed in 1990. By the time it came to fruition a year later, the slide in the property market had reduced that to £2.36bn.

Inntrepreneur has now sold 1,500 of its smaller outlets but has continued to suffer from asset deflation. Further revaluations of the remaining property last year cut its value by £234m, or 11 per cent, to less than £2bn. GrandMet charged its £117m share of the reduction against reserves.

Inntrepreneur made a trading profit of £162m last year but after interest payments of £203m recorded an operating loss of £28m. Apart from sharing that loss, GrandMet and Courage each had to inject another £32m to ensure it met its banking covenants.

With bank debt standing at £1.27bn, the company is unlikely to be able to meet the covenants' conditions this year that debt should not exceed 57.5 per cent of assets.

A further revaluation of Inntrepreneur's pubs will be made in September. "If it is necessary to put in more money, then we shall do so," Mr David Nash, GrandMet's finance director, said this week.

Inntrepreneur's finances will be helped by recent reductions in interest rates and industry analysts agree that at the trading level, the venture is progressing satisfactorily. Most expect another small operating loss this year but forecast it will break even or move into profit in 1994.

Once Inntrepreneur becomes profitable, few would be surprised if its owners did not sell it or float it. Events this week have done little to change the widespread view that the venture fits uncomfortably with GrandMet's portfolio of international brands.

Dispirited publicans who are scraping the barrel

Angus Foster on the frustrations of landlords over what they claim are unfair practices

MR ROGER McLoughlin has been landlord of the Golden Lion in Solihull for eight years, working his way up from a manager for Courage, the brewer, to a tenant.

He said he ran a "pretty good pub" and never had financial problems – until "the trouble" started.

In 1991 he switched from a tenancy to a lease with Inntrepreneur Estates, the property joint venture between Grand Metropolitan and Courage. Under the lease, his annual rent increased nearly 60 per cent from £52,000 to £83,000. He knew the terms of the lease were demanding, but he accepted them. "It [the pub] isn't just my business, it's my home," he said.

He now wishes he had refused. His barrelage has fallen from 800 to 550 a year because of recession and his rent is equal to 24 per cent of turnover. He is making a loss, owes Inntrepreneur £34,000 and now faces losing the pub and the savings he invested in it.

Mr McLoughlin was one of 30 publicans who met on Thursday afternoon in Hampstead. The mood was angry, but determined, and all those who spoke claimed to be victims of unfair or aggressive practices by Inntrepreneur.

The meeting was arranged by the National Association of Inntrepreneur Lessees (Nail), an informal body which claims its membership is growing rapidly. It is difficult to know how many publicans are actively involved, but NAIL's lawyer, Mr Julian Maitland-Walker of Charles Russell, said he is acting for 80 Inntrepreneur tenants.

They intend to argue in court cases that the leases are invalid under EC law. They also take issue in some instances with information given the lessees on a pub's likely profitability.

GrandMet said it could not comment on its relations with licencees or the operation of the Inntrepreneur leases because of the pending court cases.

Most of the complaints follow a similar pattern. Publicans claim they were persuaded to sign leases at very high rentals. Once recession started to hit business, the rentals became uneconomic. Inntrepreneur refused to arbitrate and usually sent the bailiffs instead. There are also complaints about some of Inntrepreneur's practices. For example, the company charges £100 unless leaseholders agree to pay by direct debit.

Sir Allen Sheppard, GrandMet's chairman, told the annual meeting this week that unsuccessful leaseholders were "generally individuals who have been unable to sustain the level of turnover".

Mr AG Cooper, a chartered surveyor at GW Cooper & Co who is familiar with many cases, said lessees were victims of falling beer volumes and recession. "The rents they are paying cannot be afforded today in a very large number of cases," he said.

The standard Inntrepreneur lease appears fair. Rent reviews, which take place every five years, can only be upward. But there is room for arbitration and an independent valuer if the two sides cannot agree on the increase.

However, rentals are based on historical levels of profitability so some lessees' rentals do not reflect recession. Also, there are no provisions for arbitration when Inntrepreneur frees a pub from tied beer supply and increases the rent in compensation. Last October nearly 2,000 pubs were freed in this way to comply with the government's beer orders. Mr Martin Moore, licencee of the Bridge at Uckfield, was told his rent was being increased from £24,000 to £29,100. He said an independent valuation had put the rent at about half that amount.

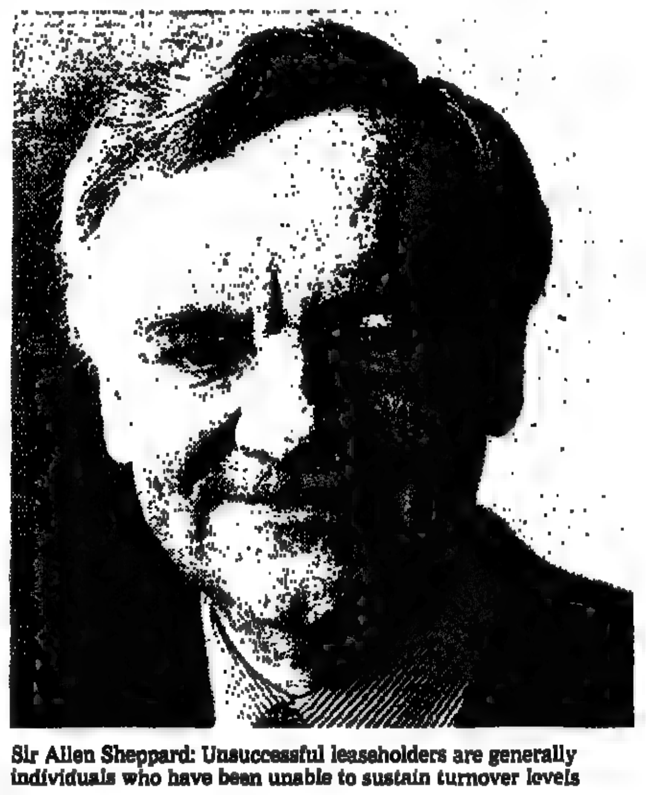
The original attraction of the lease was that it gave lessees security of tenure. In the late 1980s, when property prices were still rising and competition to take over pubs was often fierce, leaseholders also had the chance to share in a property's success by selling on, or assigning, the lease.

For leaseholders now in trouble, there are few chances of assignment. Capital values and annual turnovers have fallen, making Inntrepreneur's rentals unattractive.

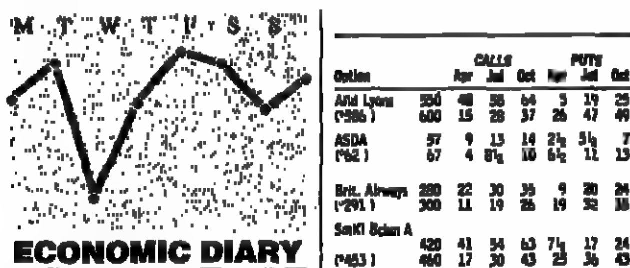
Some leaseholders also claim Inntrepreneur's actions have blocked planned assignments. Mrs Pat Whybrow, of the Rose and Crown at Shorn, said she had lined up a purchaser in 1990. But the assignment, which needed Inntrepreneur's agreement, was called off after "endless delays".

In a 1991 interview with the Financial Times, Mr Bob Williams, GrandMet's group property director, said Inntrepreneur was partly designed to create a more entrepreneurial spirit among its publicans. "There had been this paternalism built up over centuries to tenants. Most were not businessmen, they were failed professional footballers or retired coppers," he said.

For people like Mr McLoughlin, who was neither a footballer nor a policeman, Inntrepreneur's brave new world has come as a tremendous, and unpleasant, shock. "I was never a businessman. I was a publican," he said.



Sir Allen Sheppard: Unsuccessful leaseholders are generally individuals who have been unable to sustain turnover levels



ECONOMIC DIARY

TODAY: Indian budget for fiscal 1993-94. (April-March). Group of Seven finance ministers and central bank governors meet informally on world economy in London. Conservative local government conference in London.

MONDAY: London sterling certificates of deposit (January). Monetary statistics (including bank and building society balance sheets; bank and building society sterling lending and M4 sectoral analysis) (January). Bill turnover statistics (January). Sterling commercial paper (January). Money market statistics (January). US NAPM (February); personal income (January); construction spending (January); merchandise trade, balance of payments (fourth quarter). Nordic council meeting of prime ministers in Oslo. New round of Spanish-British talks on Gibraltar in Madrid. European Community monetary committee holds routine meeting in Brussels.

TUESDAY: UK official reserves (February). US leading indicators (January). European Community consumer council meets in Brussels. Start of two-day Financial Times conference "Transport in Europe – Creating the infrastructure for the future" in London.

WEDNESDAY: Overseas travel and tourism (December). Advance energy statistics (January). Mr Hamish Macleod, financial secretary, presents Hong Kong government's budget for the year to March 1994.

THURSDAY: US jobless claims; factory orders (January). Mr Michel Camdessus, president of the International Monetary Fund, addresses conference on world finance in Brussels. Geneva car show opens (until March 14). London Fashion Week begins (until Sunday). Rail union RMT ballots members on strikes.

FRIDAY: Housing starts and completions (January). Multi-party planning meeting in Johannesburg for the renewal of all-party democracy negotiations.

LIFFE EQUITY OPTIONS

Option		Calls Apr	Calls Jul	Calls Oct	Puts Apr	Puts Jul	Puts Oct
Alld Lyons (*586)	550	48	58	64	3	19	25
	600	15	28	37	26	47	49
ASDA (*62)	57	9	13	14	2½	5½	7
	67	4	8½	10	6½	11	13
Brit. Airways (*291)	280	22	30	35	9	20	24
	300	11	19	26	19	32	35
SmKl Bchm A (*453)	420	41	54	63	7½	17	24
	460	17	30	43	23	36	43
Boots (*487)	460	38	46	58	6½	19	24
	500	14	27	37	24	40	43
B.P. (*276)	260	24	32	36	5	12	15
	280	10½	20	26	12	20	25
British Steel (*80)	80	6	12	15	7	11	12½
	90	2½	7	10	13½	17½	19
Bass (*577)	550	41	57	70	10	23	30
	600	16	31	44	34	47	57
C & Wire (*742)	700	55	74	83	8	24	33
	750	24	46	57	29	48	56
Courtaulds (*565)	550	32	47	57	16	32	38
	600	11	24	35	46	62	67
Com. Union (*595)	580	23	41	48	19	29	39
	629	6	21	28	54	60	66
Fisons (*228)	220	14	29	37	11	28	32
	240	10½	21	29	25	40	44
GKN (*467)	460	18	29	36	22	30	38
	500	5	15	21	53	56	64
Grand Met. (*452)	420	42	56	63	6	16	22
	460	17	32	42	22	34	39
I.C.I. (*1205)	1200	37	68	87	62	85	110
	1250	16	50	67	100	120	140
Kingfisher (*543)	535	29	42	50	13½	33	40
	584	8	22	30	45	63	67
Ladbroke (*196)	180	22	28	35	8	15	22
	200	9	18	25	19	26	33
Land Secur (*481)	460	28	35	41	5	19	22
	500	7	14	21	25	44	45
M & S (*329)	300	36	40	44	3	8	11
	330	12	21	27	11	21	24
Sainsbury (*525)	500	37	47	57	7	20	24
	550	13	23	32	31	47	53
Shell Trans. (*585)	550	30	47	55	7½	15	24
	600	7	20	28	37	42	49
Storehouse (*181)	180	13	20	25	9½	17	21
	200	5½	12	16	24	30	34
Trafalgar (*79)	70	12	14	18	3	5½	7
	80	5½	9	12½	6	11	13
Utd. Biscuits (*378)	360	23	31	39	12	18	24
	390	8	17	25	29	36	39
Unilever (*1224)	1200	38	72	84	32	34	57
	1250	15	42	60	63	80	87

Option		Calls May	Calls Aug	Calls Nov	Puts May	Puts Aug	Puts Nov
Brit Aero (*265)	260	28	39	48	25	32	42
	280	19	32	41	38	44	53
Barclays (*424)	460	3½	13	21	53	58	68
Blue Circle (*223)	220	14	11	28	10	22	28
	240	8	13	19	22	33	39
British Gas (*297)	280	19	25	29	2	9	13
	300	7	13	17	8½	21	24
Dixons (*219)	200	26	34	39	4	9	16
	230	11	22	26	9	17	28
Eurotunnel (*505)	500	27	53	70	21	45	60
	550	8	31	48	60	75	87

FT-SE INDEX PUTS								
Mar	2	4	7	14	28	53	87	130
Apr	11	14	22	34	51	75	105	141
May	20	27	37	51	70	92	121	154
Jun	30	36	50	63	82	105	134	165
Dec	–	85	–	115	–	155	–	205

February 26 Total Contracts 29,531
Calls 19,273 Puts 10,258
FT-SE Index Calls 4,758 Puts 6,589
Euro FT-SE Calls 1,372 Puts 39
*Underlying security price. † Long dated expiry months
Premiums shown are based on closing offer prices.

TRADITIONAL OPTION 3-month call rates

INDUSTRIALS		Cadburys	30	HSBC (75p shs)	38	Ratners	3	Land Sec.	40
Allied-Lyons	50	Charter Cons.	52	Hanson	20	Reed Intl	52	MEPC	30
Amstrad	3½	Comm Union	52	ICI	75	Sears	9	Mountleigh	4
Astec (BSR)	3½	Courtaulds	48	Ladbroke	15	SmKl Bchm A	40	**OILS**	
BAT Inds	75	Eurotunnel	30	Legal & Gen	38	TI	28	Arcon Intl.	32
BOC	56	FKI	12	Lex Service	18	TSB	12	Aviva Pet	5
BTR	41	FNFC	7	Lloyds Bank	45	Tesco	20	BP	21
Barclays	30	Forte	14	Lonrho	7	Thorn EMI	70	Burmah Castrol	60
Blue Circle	22	GKN	40	Lucas Inds	13	T & N	15	Premier Cons	3
Boots	42	Gen Accident	31	Marks Spencer	25	Unilever	72	Shell	36
Bowater	40	GEC	22	NatWest Bank	30	Vickers	9	**MINES**	
Brit Aerospace	24	Glaxo	55	P & O Dfd	40	Wellcome	75	RTZ	52
British Steel	6	Grand Met	40	Racal Elect	12	**PROPERTY**			
Brit Telecom	28	GRE	15	Rank Org	53	Brit Land	7		

FT FIXED INTEREST INDICES

	Feb 26	Feb 25	Feb 24	Feb 23	Feb 22	Year ago	High *	Low *
Govt Secs (UK)	96.71	96.26	96.52	96.54	96.67	88.28	96.71	85.11
Fixed Interest	112.34	112.35	112.50	112.41	112.25	101.33	112.50	97.15

* for 1992/93. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75) Fixed Interest high since compilation: 112.50 (24/2/93), low 50.53 (3/1/75) Basis 100 Government Securities 15/10/26. Fixed Interest 1928.

GILT EDGED ACTIVITY

	Gilt edged bargains*	5-Day Average
Feb 25	119.8	131.4
Feb 24	136.1	135.6
Feb 23	127.2	136.1
[illegible]	136.5	140.4
Feb 19	137.4	141.8

* SE activity indices rebased 1974

COMMODITIES

WEEK IN THE MARKETS

Platinum and palladium in retreat

THE PLATINUM and palladium markets were the falling stars of the world commodities scene this week as growing concern about the prospects for demand from Japanese car manufacturers turned last week's retreat into a rout.

The preceding week had seen the platinum price surge by nearly $10 to $370.50 a troy ounce while its sister metal, palladium, rose $4.10 to a 32-month high of $119 an ounce as Japanese buyers responded to reports of sharply reduced Russian shipments to the US and Europe. That rise was capped two weeks ago, however, when a Russian official insisted that his country was still meeting all contracts to supply palladium to world markets, and the ensuing downward reaction was fed last week by nervousness about US economic policy.

Then came the Japanese car makers' "body blow", as one analyst described it. They told the Reuter news agency that, because their production was falling, not only did they not need Russian platinum and palladium (for anti-pollution exhaust catalysts), they might even sell some of their present surplus. The manufacture of catalysts is estimated to account for about 40 per cent of world platinum use and about 12 per cent of palladium use.

That was enough to turn the enthusiastic Japanese buyers who had fuelled the earlier strong advance into desperate sellers, and by yesterday afternoon the platinum price was down $14.25 on the week at $345 an ounce and palladium's down $8.85 at $100.15 an ounce. Some dealers suggested that the markets had now become oversold, however, while noting that sellers were also being discouraged by expectations that the yen would not fall further against the US dollar – which would make platinum and palladium prices appear relatively expensive to Japanese investors, traditionally the main operators in these markets.

Gold got off relatively lightly until falling $1.90 yesterday to $327.75 an ounce, down $2.50 on the week and near the bottom of its recent narrow trading range.

Silver suffered its principal fall at the start of the week when nearby New York Commodity Exchange (Comex) futures fell to life-of-contract lows and the London bullion market price, which had fallen 7.5 cents last week, lost another 4.5 cents at 358.5 cents an ounce. The London price then see-sawed around that level, between 357.5 and 359.5 cents before ending yesterday at 359 cents an ounce.

The initial fall resulted from a wave of speculative selling, which traders said was encouraged by news of a 2m-ounce rise in Comex warehouse stocks to 272m ounces.

Zinc was the main sufferer at the London Metal Exchange, where all base metal contracts lost ground on the week. The three months delivery price closed yesterday at a four-month low of $1,036.75 a tonne, down $44.75 on the week after breaking through successive support areas. In the absence of fresh developments dealers attributed the slide to the long-running oversuply situation, which will be only partly relieved by recently-announced production cuts. Zinc stocks in LME warehouses rose another 8,000 tonnes to 554,600 tonnes.

Long-established support levels also gave way in the copper market as the three months price slid $29.75 to $1,521.50 a tonne at Thursday's close.

LME WAREHOUSE STOCKS
(As at Thursday's close)
tonnes

Aluminium	+1,150	to 1,655,025
Copper	+1,025	to 328,125
Lead	+25	to 234,325
Nickel	+78	to 83,028
Zinc	+8,075	to 554,600
Tin	+745	to 18,605

Traders said modest Chinese buying had been brushed aside as the price fell. Yesterday, however, three months copper rallied by $17 to end only $12.75 down on the week.

Nickel pressed against downside support at $6,200 for three months metal for three days before breaking through decisively on Thursday. After a further fall yesterday the price closed at $6,085 a tonne, down $202.50 on the week.

Tin prices continued the recent downtrend as the upward movement in LME stocks accelerated – this week's rise amounted to 1,470 tonnes, taking the total to 18,605 tonnes. The cash price closed yesterday at $5,770 a tonne, down $30 on the week.

At the London Futures and Options Exchange cocoa prices were pushed towards three-month highs early in the week as manufacturer demand absorbed selling from the Ivory Coast, the biggest producer. Overhead resistance at £745 a tonne was broken down as the May position climbed to £760 a tonne but it was back to £749 a tonne at yesterday's close. Dealers blamed yesterdays £11 fall on speculative selling in New York. "The market is highly strung and jittery, but there is a good chance we'll see consolidation in the short term," one told Reuter. "The bull move is working sideways at the moment."

World sugar prices built on last week's strength as operators continued to react to reductions in analysts' assessments of the likely level of the 1992-93 production surplus. At the New York Cocoa, Sugar and Coffee Exchange the May futures price put on more than half a cent over the week to touch the psychologically-important 10 cents-a-lb level yesterday. But dealers thought the market had become overbought and prices were trimmed in later trading.

The market had been watching the International Cocoa Organisation talks in London, aimed at negotiating a price-stabilisation pact to replace the moribund International Cocoas Agreement, which expires in September. But there was little reaction yesterday to news that delegates had failed to reach a compromise on the price range to be defended by a stock withholding operation and had adjourned the meeting till Monday.

Richard Mooney

FT-ACTUARIES FIXED INTEREST INDICES

	PRICE INDICES	Fri Feb 26	Day's change %	Thu Feb 25	Accrued interest	xd adj. 1993 to date
	British Government					
1	Up to 5 years (24)	129.75	+0.18	129.52	1.96	1.72
2	5-15 years (22)	149.03	+0.41	148.42	1.63	2.85
3	Over 15 years (8)	157.33	+0.31	156.84	1.56	1.88
4	Irredeemables (6)	178.44	+0.45	177.64	2.49	1.12
5	All stocks (60)	145.19	+0.32	144.73	1.77	2.28
	Index-Linked					
6	Up to 5 years (2)	183.56	+0.09	183.40	0.11	1.51
7	Over 5 years (12)	171.96	+0.20	171.61	0.74	0.87
8	All stocks (14)	172.36	+0.19	172.04	0.66	0.96
9	Debs & Loans (66)	127.98	+0.53	127.31	2.10	1.86

	AVERAGE GROSS REDEMPTION YIELDS		Fri Feb 26	Thu Feb 25	Year ago (approx.)	1992/93 High	1992/93 Low
	British Government						
1	Low	5 years	6.54	6.59	8.58	10.03 15/9 /92	6.33 19/2 /93
2	Coupons	15 years	7.80	7.82	9.12	9.72 1 /4 /92	7.80 26/2 /93
3	(0%-7¾%)	20 years	8.10	8.12	9.12	9.72 1 /4 /92	8.10 26/2 /93
4	Medium	5 years	6.85	6.91	9.36	10.28 1 /4 /92	6.85 26/2 /93
5	Coupons	15 years	8.28	8.32	9.19	9.82 1 /4 /92	8.28 26/2 /93
6	(8%-10¾%)	20 years	8.46	8.49	9.15	9.76 1 /4 /92	8.46 26/2 /93
7	High	5 years	7.00	7.07	9.59	10.50 1 /4 /92	7.00 26/2 /93
8	Coupons	15 years	8.54	8.59	9.28	9.96 1 /4 /92	8.54 26/2 /93
9	(11%-)	20 years	8.62	8.67	9.22	9.90 5 /10/92	8.62 26/2 /93
10	Irredeemables (Flat Yield)		8.53	8.57	9.31	9.92 2 /4 /92	8.53 26/2 /93
	Index-Linked						
11	Inflation rate 5%	Up to 5yrs.	2.01	2.02	3.57	5.06 16/9 /92	1.82 12/2 /93
12	Inflation rate 5%	Over 5 yrs.	3.47	3.48	4.29	4.76 16/9 /92	3.47 26/2 /93
13	Inflation rate 10%	Up to 5 yrs.	1.15	1.15	2.90	4.23 16/9 /92	0.92 12/2 /93
14	Inflation rate 10%	Over 5 yrs.	3.29	3.30	4.11	4.56 16/9 /92	3.29 26/2 /93
15	Debs &	5 years	8.60	8.65	10.79	11.51 6 /4 /92	8.56 12/2 /93
16	Loans	15 years	9.36	9.42	10.60	11.22 6 /4 /92	9.36 26/2 /93
17		25 years	9.58	9.64	10.45	11.02 6 /4 /92	9.58 26/2 /93

INTERNATIONAL COMPANIES AND FINANCE

Losses at Saab Automobile deepen

By Christopher Brown-Humes in Stockholm

LOSSES at Sweden's Saab Automobile deepened to SKr2.69bn ($343m) last year as the car maker was hit by worsening market conditions worldwide and heavy restructuring costs.

The worse-than-expected result is 20 per cent down on the 1991 deficit of SKr2.24bn and follows a doubling of losses in the final three months of the year when conditions in the car industry deteriorated sharply.

The group also took a one-off restructuring charge in the final quarter following its decision to cut 2,000 jobs, more than 20 per cent of its workforce, as part of a new rationalisation programme. It declined to specify the size of the charge yesterday.

Saab, jointly owned by Saab-Scania and General Motors of the US, is predicting a "substantial improvement" in its 1993 figures but it still expects to remain in the red. This would be its fifth consecutive year of losses.

Revenues fell to SKr14.7bn from SKr15bn, as car sales slid to 86,800 from 87,500 in 1991.

The group's three main markets, Sweden, the US and the UK, were all depressed although there were upturns in areas including Italy, Belgium, Spain, Australia and Hong Kong.

In 1993, the group is hoping for a better result in both the US and UK, although it expects the Swedish market to remain difficult and other markets like Germany to be tough.

It believes its overall result will also be helped by its rationalisation programme, which aims to cut costs by SKr2bn; the devaluation of the Swedish krona, and the launch of a new car model.

Details of the new car have been kept under close wraps, although there is no doubt that a success is needed to ensure the group's revival. The model replacement for the 900 series will be unveiled at the Frankfurt motor show in September before going on sale in the autumn.

Partly because of the disruption which introduction of the new model will cause, and partly because of a less intensive marketing drive, the company is forecasting car sales of only 80,000 this year.

The group's new chief executive, Mr Keith Butler-Wheelhouse, has already stated he would like to see the group's break-even production level reduced to 70,000 units.

Last month, Saab's owners each promised to inject SKr1.4bn in new capital during 1993 to help the group return to profit. They have already ploughed in SKr5.5bn since mid-1991.

Repsol plans $1bn worldwide share issue

By Tom Burns in Madrid

REPSOL, the Spanish state-controlled energy group, is to raise close to $1bn in an international share issue following a surprise government announcement yesterday authorising the conglomerate to double the amount of shares it had originally intended to place on the market.

The placement, probably between mid-March and mid-April, is likely to be one of the biggest international distributions of any share issue this year.

The decision to double the potential income from the placement appears to underline an urgent need by the government to increase gains from the disposal in order to reduce the budget deficit.

Lazards is advising in the share offer, and, in a move that reflected the scale and complexity of the transaction, Repsol appointed Goldman Sachs as a separate global co-ordinator of the issue earlier this month.

A government spokesman said Instituto Nacional de Hidrocarburos, INH, the state holding that owns 54.5 per cent of Repsol, had been authorised to sell up to 40m shares.

Such a share offering, if taken up, would raise Pta109bn ($931m) at current market prices.

In January Repsol had indicated it would only be placing 7 per cent of INH's equity in the market when it said it was seeking to raise $500m in a circular to institutions that invited bids to lead the placement.

Dealers said they expected great demand for Repsol paper. Repsol's sharesrose by Pta40 to Pta2,745 in Madrid yesterday.

European airlines to set up talks for global system

By Ronald van de Krol in Amsterdam

FOUR European airlines - KLM, Swissair, Scandinavian Air System and Austrian Airlines - said yesterday they were ready to launch detailed talks on the feasibility of setting up a "global airline system".

The airlines, which disclosed in late January they were considering opening formal talks, said they planned to examine how a possible partnership could be structured and how long it might take to get off the ground.

They declined to give details or to say whether an equity link was likely, but indicated that all options remained open. Joint working groups have been set up to explore opportunities in more detail.

"A combined effort is essential to compete profitably with the current and anticipated heavy pressure on the European airline business from strong intercontinental airlines," the four companies said in a joint statement.

The partnership would be based on several European hubs, enabling traffic to be funnelled in and out of the airlines' home countries. The airlines said their ambition was to offer a global route network for passengers and cargo traffic.

The move forward into official negotiations comes exactly a year after the breakdown of merger talks between KLM and British Airlines, which has gone on to take a 25 per cent stake in Qantas of Australia and to pursue a minority shareholding in USAir, the sixth-largest US carrier.

Since the collapse of the BA talks, KLM - which owns a minority stake in Northwest of the US - has been searching for ways to boost its global and its European presence.

Swissair, SAS and Austrian Airlines are already partners in a loose grouping called the European Quality Alliance, which involves joint marketing activities and flight timetables.

UBS climbs 10.4% with trading lift

By Ian Rodger in Zurich

UNION Bank of Switzerland, the country's largest, recorded a 10.4 per cent rise in net income last year to SFr1.34bn ($883m), as sparkling results from trading offset reverses in domestic lending.

"We can claim to be very happy," Mr Robert Studer, the UBS chief executive, said yesterday, adding that "we feel quite optimistic about 1993". He forecast foreign operations would continue to flourish and the bank would overcome its problems in Switzerland.

"All sectors have budgeted for increases in income this year," Mr Studer said.

Return on equity rose from 7 per cent in 1991 to 7.4 per cent last year and the group was "on track" to reach its target of 10 per cent by the mid-1990s.

Foreign operations contributed about a third of group profit last year, up from a quarter in 1991, and the bank, one of the few remaining to enjoy triple A ratings from all leading credit rating agencies, benefited from a large influx of demand and savings deposits.

Turmoil in foreign exchange markets in the second half of the year helped trading income soar 32.2 per cent to SFr1.68bn.

Net interest income grew 3.6 per cent to SFr3.4bn thanks to improving margins. But provisions for bad loans were raised 6.2 per cent to SFr1.8bn.

The directors are proposing to increase dividends from SFr27 to SFr29 per bearer share and from SFr5.40 to SFr5.80 per registered share.

● Bank Leu, part of the CS Holding group, has reported 1992 net profit of SFr30.7m after liquidating SFr11.1m in hidden reserves, 7.2 per cent lower than the 1991 result.

Bridgestone turns in 10% fall

By Charles Leadbeater in Tokyo

BRIDGESTONE, the leading Japanese tyre maker, yesterday reported a 10.1 per cent drop in pre-tax profits for the year to the end of December, largely a reflection of the slump in Japanese vehicle production.

However, Sumitomo Rubber, one of its main competitors, reported a 2.3 per cent increase in pre-tax profits on a slight increase in sales.

Bridgestone said pre-tax profits fell to Y68.9bn ($586m) from Y76.6bn in the previous year on a 1.5 per cent drop in sales to Y725bn.

The company said its earnings were hit by the slump in domestic vehicle sales and by the appreciation of the yen against the dollar, which depressed the value of its US earnings.

Although the company has no concrete plans for restructuring, it will be led by a new president from April who is expected to introduce significant management changes.

Mr Yoichiro Kaizaki has spent most of his career in Bridgestone's diversified and relatively decentralised chemical division. He has been responsible for the rationalisation of Bridgestone's US operations at Firestone, which it acquired in the late 1980s.

The company yesterday announced a sweeping change in its board, with the promotion of four executives to report directly to Mr Kaizaki.

The Bridgestone group's consolidated worldwide sales were Y1,745bn, 1.1 per cent down on 1991. Consolidated after-tax net earnings rose from Y7.4bn in 1991 to Y28.4bn last year.

Bridgestone/Firestone, the US subsidiary, is forecast to make a $10m profit this year, against a loss of $132m last year.

Sumitomo Rubber attributed its profit increase to strong domestic sales of new products and streamlining measures. Its pre-tax profits rose by 2.3 per cent in the year to Y11.8bn.

Its sales rose by 2.3 per cent to Y260bn, largely as a result of higher sales of high performance tyres.

Earnings doubled at Hollinger

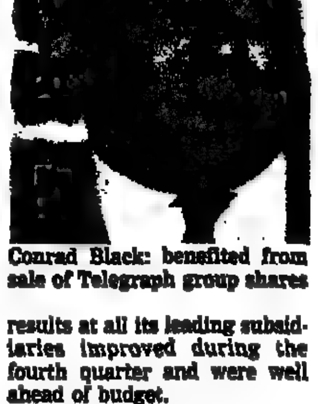
By Bernard Simon in Toronto

EARNINGS at Hollinger, the international publishing group controlled by Mr Conrad Black, more than doubled last year, thanks to proceeds from the sale of shares in the UK Telegraph group as well as improved operating results at its main subsidiaries.

These gains more than offset losses early last year from the sale of a small minority interest in United Newspapers.

Hollinger's earnings from continuing operations rose to C$77m (US$61m), or C$1.19 a share, from C$32m, or 32 cents, in 1991. Revenues climbed to C$878m from C$760m.

Tax provisions jumped to C$47m from C$24m, reflecting the end of loss carryovers claimed by the 68 per cent-owned Telegraph group in the UK.



Conrad Black: benefited from sale of Telegraph group shares

Hollinger said operating results at all its leading subsidiaries improved during the fourth quarter and were well ahead of budget.

Operating profits in the UK, consisting mainly of the Telegraph, rose to C$111.5m from C$90m.

Equity earnings from John Fairfax, the Australian newspaper group in which the Telegraph has a 15 per cent stake, climbed to C$3m from C$384,000. The Fairfax contribution has been adjusted to reflect Canadian accounting principles.

Income from American Publishing, a group of more than 200 small US newspapers, rose to C$26.4m from C$21.5m. In Canada, where the company owns two chains of small newspapers, operating losses narrowed to C$2.8m from C$3.6m.

Hollinger earlier this year became the largest single shareholder in Southam, Canada's biggest daily newspaper publisher and has proposed transferring half of its 22.6 per cent interest in Southam to the Telegraph.

Assets sale by First American Bank

By Karen Zagor in New York

FIRST American Bankshares, the BCCI-tainted Washington-based bank, has agreed to sell virtually all of its remaining assets for $453m in cash to First Union of North Carolina.

First Union will acquire all of the stock of First American Metro, the holding company for First American Bank of Virginia, Maryland and Washington DC.

The agreement comes about eight months after the Federal Reserve Board ordered the Washington bank be sold after BCCI Holdings pleaded guilty to illegally controlling First American.

Mr Harry Albright, court-appointed trustee of First American, said: "Under this agreement, First American's banking franchise in metropolitan Washington will be sold intact to a strong banking institution which will assume all of the deposit liabilities and acquire substantially all of First American's remaining assets."

First American Bank of Georgia is in liquidation and First American Miami will be acquired by AmTrade International Bank of Georgia.

Mr John Georges, president of First Union said "after so much uncertainty and so much waiting, First American's future is secure".First American itself has not been accused of any wrongdoing.

At the end of 1992, First American Metro had total assets of $4.6bn and deposits of $4bn. The acquisition will make First Union the eighth biggest US banking group.

Nobel's finance chief resigns

THE HEAD of finance and control at Sweden's Nobel Industries, Mr Jan Kihlberg, resigned from his position yesterday, effectively taking responsibility for the SKr750m ($95.5m)foreign exchange losses which more than halved the group's 1992 profit to SKr200m.

When announced its result earlier this week, Nobel stressed there was no question of unauthorised behaviour, but said human error was partly to blame for the high foreign exchange losses.

Canadian carrier unveils record deficit for year

By Robert Gibbens in Montreal

PWA, parent of Canadian Airlines International, yesterday unveiled a record 1992 loss of C$543m (US$433m), or C$11.37 a share.

Last Friday Air Canada, its bigger rival, reported a final 1992 loss of C$454m, or C$6.13 a share.

Together the country's two leading airlines lost almost C$1bn in 1992, reflecting the long recession, overcapacity and vicious fare discounting in the domestic market.

Both Air Canada and Canadian are struggling to complete ownership and operating alliances with US-based international airlines but expect to suffer more losses in 1993.

PWA's 1992 loss included a C$333m special charge to cover the expected costs of its proposed alliance with AMR, parent of American Airlines, which is yet to be completed, and also staff severance and other special items. Revenues were C$2.88bn.

In 1991 PWA lost C$161m or C$3.66, including special items. Its 1992 operating loss before special charges was C$108.7m, against a deficit of C$112m in 1991.

Operating expenses were steady, but the gain in revenues was only 0.2 per cent.

Larssen takes new post at Volkswagen

By Christopher Parkes

VOLKSWAGEN, the German automotive group, yesterday announced the first of an expected wave of boardroom changes. Mr Gunner Larsson, 50, is to take charge of a new portfolio embracing environmental issues, traffic and research.

He replaces Mr Ulrich Steger, who is to leave the company less than 18 months after being appointed to develop an environmental management strategy.

Mr Larsson was formerly director responsible for technical development at Audi.

Continental expects difficult year

By Christopher Parkes in Frankfurt

CONTINENTAL, the German tyre maker, expects an "extraordinarily difficult" current financial year in Europe, only partly relieved by improving conditions in north America.

However, there will be no dramatic effect on sales, deliveries or earnings, the company said yesterday.

Last year had been satisfactory despite the weakening in the second half. Deliveries of both car and commercial vehicle tyres rose 6 per cent, while turnover, affected by currency fluctuations, rose only 3 per cent to DM9.7bn ($5.9bn).

Without giving any profit details, the company said full-year results were "clearly in the black" after a DM128m net loss in 1991. At the halfway mark it reported profits of DM118m.

WORLD COMMODITIES PRICES

WEEKLY PRICE CHANGES	Latest prices	Change on week	Year ago	High 1992/93	Low 1992/93
Gold per troy oz.	$327.75	-2.50	$355.20	$358.40	$327.35
Silver Per troy oz	252.0p	-0.5	235.05p	265.50p	187.58p
Aluminium 99.7% (cash)	$1191	-13.5	$1299.5	$1339.0	$1105.5
Copper Grade A (cash)	£1514.5	-13.5	£1295.55	£1561.0	£1125.0
Lead(cash)	£285	-0.5	£291.25	£333.5	£277.50
Nickel (cash)	$6025.0	-200	$7665	$8195.0	$5315
Zinc SHG (cash)	$1019.5	-43	$1185.5	$1457.5	$1019.0
Tin (cash)	$5770	-30	$5595	$7115.0	$5425.0
Cocoa Futures (May)	£749	+15	£692	£751	£523
Coffee Futures (Mar)	$941	-11	£450	$1030	$676
Sugar (LDP Raw)	$244.5	+12.5	$203.5	$272.6	$193
Barley Futures (May)	£144.50	+4.35	£119.30	£144.50	£106.90
Wheat Futures (May)	£148.00	+3.70	£120.80	£148.00	£109.85
Cotton Outlook A Index	61.65c	-0.30	56.25c	65.90c	52.25c
Wool (64s Super)	397p	-3	480p	480p	364p
Oil (Brent Blend)	$18.825x	+0.575	$17.50	$21.30	$17.00

Per tonne unless otherwise stated. †Unquoted. p-pence/kg. c-cents lb, x-Apr.

London Markets

SPOT MARKETS		+ or -
Crude oil (per barrel FOB)(Apr)		
Dubai	$16.55-6.60	+0.03
Brent Blend (dated)	$18.81-8.86	-.055
Brent Blend (Apr)	$18.80-8.85	-.015
W.T.I (1 pm est)	$20.50-0.55	+0.05
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$193-194	-0.5
Gas Oil	$176-177	
Heavy Fuel Oil	$73-75	+1
Naphtha	$174-175	-1.5
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$327.75	-1.90
Silver (per troy oz)♣	359.0c	+1.5
Platinum (per troy oz)	$345.00	+0.00
Palladium (per troy oz)	$100.15	-0.10
Copper (US Producer)	100.0c	-3.0
Lead (US Producer)	33.5c	
Tin (Kuala Lumpur market)	14.91r	+0.09
Tin (New York)	265.5c	-1.5
Zinc (US Prime Western)	62.0c	
Cattle (live weight)†	130.39p	+4.26*
Sheep (live weight)†♣	120.37p	+10.0*
Pigs (live weight)†	81.35p	-0.16*
London daily sugar (raw)	$244.5	+1.0
London daily sugar (white)	$275.0	+0.5
Tate and Lyle export price	£262.5	+1.0
Barley (English feed)	Unq	
Maize (US No. 3 yellow)	£165.0	
Wheat (US Dark Northern)	Unq	
Rubber (Apr)♥	67.00p	
Rubber (May)♥	67.50p	
Rubber (KL RSS No 1 Feb)	227.0m	-1.0
Coconut oil (Philippines)§	$435.0y	
Palm Oil (Malaysian)§	$427.5z	-2.5
Copra (Philippines)§	$275.0	
Soyabeans (US)	£165.0u	
Cotton "A" index	61.65c	
Wooltops (64s Super)	397p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. y-Apr/May u-Feb/Apr. x-Aug. w-Feb/Mar z-Mar. ♥London physical. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.♣Sheep prices are now live weight prices * change from a week ago, provisional prices.

SUGAR - London FOX			($ per tonne)	
Raw	Close	Previous	High/Low	
Mar	209.20	209.00	209.20	209.00
May	220.00	220.00	219.20	219.00
Aug	224.00	224.00	223.20	
Oct	203.00	203.00	202.00	
White	Close	Previous	High/Low	
May	272.60	272.50	274.00	271.50
Aug	273.50	273.00	274.00	271.90
Oct	256.50	256.00	256.00	255.00

Turnover: Raw 150 (156) lots of 50 tonnes. White 922 (723) Paris- White (FFr per tonne): May 1549.80 Aug 1575.09

CRUDE OIL - IPE			$/barrel	
	Latest	Previous	High/Low	
Apr	18.85	18.98	18.95	18.77
May	18.90	19.01	18.97	18.83
Jun	19.01	19.06	19.01	18.87
Jul	19.00	19.07	19.04	18.93
Aug	19.02	19.06	19.02	
Sep	18.99	19.11	19.00	18.99
IPE Index	19.05	18.96		

Turnover 16384 (35366)

GAS OIL - IPE			$/tonne	
	Close	Previous	High/Low	
Mar	173.50	173.25	174.75	173.25
Apr	173.50	173.75	175.00	173.50
May	173.00	173.25	174.00	173.00
Jun	173.25	173.25	174.25	173.25
Jul	175.00	174.75	175.50	174.50
Aug	176.50	176.75	176.75	
Sep	178.50	178.75	179.00	
Oct	180.75	181.00	181.25	
Nov	182.75	183.00	183.25	182.75

Turnover 12999 (11525) lots of 100 tonnes

SPICES

Grenada's nutmeg and mace marketing will now be exclusively co-ordinated by a newly-appointed agent based in Brussels, reports Man-producten. Indonesian slaws/ ambon bwp US$800 a tonne spot, shipment $780; shrivelled nutmegs spot $1,295, shipment $1,250; mace broken 2 spot $1,400, shipment $1,375. Cochin ginger easier on better arrivals and good crop forecasts, between $1,025 and $1,075 cif Rotterdam; Nigerian split ginger $800 ex-warehouse. Mexican pimento slightly easier at $1,750 spot; shipment $1,725 cif; Jamaican unchanged; Guatemalan spot $1,900.

COCOA - London FOX			£/tonne	
	Close	Previous	High/Low	
Mar	730	746	746	729
May	749	760	760	744
Jul	760	772	770	784
Sep	772	785	777	765
Dec	790	800	795	785
Mar	810	818	812	808
May	824		826	823
Jul	838	846	840	840
Sep	853	862	856	851
Dec	874	885	880	874

Turnover: 9407 (7924) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Feb 26 749.95 (751.02) 10 day average for Feb 26 738.79 (734.35)

COFFEE - London FOX			$/tonne	
	Close	Previous	High/Low	
Mar	943	960	953	934
May	941	953	952	936
Jul	909	918	920	906
Sep	919	930	925	921
Nov	932	937	931	
Jan	944	952	940	

Turnover:3823 (2468) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Feb 25: Comp. daily 58.01 (58.66) 15 day average 57.35 (57.33)

POTATOES - London FOX			£/tonne	
	Close	Previous	High/Low	
Apr	45.0	45.5	45.0	44.9
May	46.7	46.5	46.0	46.5
Apr	95.5	95.5	96.6	95.5

Turnover 85 (130) lots of 20 tonnes.

SOYABEAL - London FOX			£/tonne	
	Close	Previous	High/Low	
Jun	144.00	143.00	144.00	
Aug	145.50		145.50	

Turnover 20 (25) lots of 20 tonnes.

FREIGHT - London FOX			$10/index point	
	Close	Previous	High/Low	
Mar	1369	1370	1370	1360
Apr	1365	1370	1365	1360
BFI	1373	1375		

Turnover 61 (119)

GRAINS - London FOX			£/tonne	
Wheat	Close	Previous	High/Low	
Mar	148.35	145.90	146.35	
May	148.00	147.40	148.00	147.15
Jun	148.90	148.20	148.80	148.15
Nov	112.20	112.00	112.20	
Jan	115.25		115.25	
Mar	118.00	118.00	118.00	
Barley	Close	Previous	High/Low	
Mar	142.60	142.70	142.60	
May	144.50	144.00	144.50	143.25
Sep	108.00	107.85	108.00	107.75

Turnover: Wheat 127 (222), Barley 245 (54). Turnover lots of 100 Tonnes.

PIGS - London FOX	(Cash Settlement) p/kg		
	Close	Previous	High/Low
Mar	109.5	110.0	109.0

Turnover:21 (5) lots of 3,250 kg

LONDON METAL EXCHANGE	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover N/A lots
Cash	1190.5-1.5	1192.5-3.5		1187-8		
3 months	1212-3	1214-5	1215/1208	1209-10	1213-4	159,796 lots
Copper, Grade A (£ per tonne)						Total daily turnover N/A lots
Cash	1514-5	1497.5-8.5	1511/1508.5	1508-6.5		
3 months	1536-9	1521-2	1539/1529	1529.5-30	1533-4	153,642 lots
Lead (£ per tonne)						Total daily turnover N/A lots
Cash	284.5-5.5	283.5-4.5	282/281.5	279-9.25		
3 months	293.5-4.5	293.5-4	294/289.25	288.25-9.5	292-2.5	18,925 lots
Nickel ($ per tonne)						Total daily turnover N/A lots
Cash	6020-30	6130-40	6037	6035-40		
3 months	6080-90	6190-200	6140/6085	6090-5	6085-90	41,463 lots
Tin ($ per tonne)						Total daily turnover N/A lots
Cash	5765-75	5780-90	5765/5762	5760-2		
3 months	5835-45	5840-50	5840/5820	5820-2	5815-20	8,059 lots
Zinc, Special High Grade ($ per tonne)						Total daily turnover N/A lots
Cash	1019-20	1020.5-1.5	1016.5	1013.5-4		
3 months	1036.5-7	1038-9	1041/1029	1030.5-1	1037-8	62,710 lots

LME Closing £/$ rate: SPOT: 1.4230 3 months: 1.4135 6 months: 1.4064 9 months: 1.4005

LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold (troy oz)	$ price	£ equivalent
Close	327.60-327.90	
Opening	329.70-330.10	
Morning fix	328.75	230.491
Afternoon fix	327.60	230.299
Day's high	329.40-329.70	
Day's low	327.60-327.9	

Loco Ldn Mean Gold Lending Rates (Vs US$)			
1 month	2.58	6 months	2.40
2 months	2.53	12 months	2.43
3 months	2.51		

Silver fix	p/troy oz	US cts equiv
Spot	249.85	355.55
3 months	253.65	359.45
6 months	257.10	362.50
12 months	263.40	366.60

GOLD COINS	$ price	£ equivalent
Krugerrand	329.00-332.00	230.00-232.00
Maple leaf	338.05-340.30	-
New Sovereign	78.50-81.50	55.00-57.00

TRADED OPTIONS

Coffee	May	Jul	May	Jul
900	68	60	27	52
950	41	41	50	83
1000	24	27	83	119
Cocoa	**May**	**Jul**	**May**	**Jul**
725	43	63	19	28
750	29	49	30	39
775	20	39	46	54
Brent Crude	**Apr**	**May**	**Apr**	**May**
1850	48	-	18	-
1900	20	46	36	60
1950	8	26	73	-

New York

GOLD 100 troy oz.; $/troy oz.				
	Close	Previous	High/Low	
Mar	328.8	329.9	0	0
Apr	329.0	330.6	329.6	327.6
May	331.2	331.2	0	0
Jun	330.3	331.9	331.0	329.1
Aug	331.9	333.1	331.9	330.5
Oct	332.9	334.5	332.9	332.9
Dec	334.3	335.9	335.2	333.8
Feb	337.3	337.3	0	0
Apr	338.8	338.8	0	0

PLATINUM 50 troy oz; $/troy oz.				
	Close	Previous	High/Low	
Apr	345.5	345.0	347.5	343.5
Jul	345.0	343.9	346.0	343.5
Oct	343.1	342.7	0	0
Jan	342.0	340.2	343.0	343.0

SILVER 5,000 troy oz; cents/troy oz.				
	Close	Previous	High/Low	
Mar	356.5	353.9	357.5	352.5
Apr	356.2	355.2	0	0
May	360.0	356.5	360.5	355.5
Jul	361.6	358.9	362.5	359.0
Sep	364.5	361.4	365.5	361.5
Dec	368.0	364.9	368.5	364.0
Jan	355.3	365.3	0	0
Mar	370.5	368.6	371.5	368.5
May	371.1	371.1	0	0
Jul	378.0	373.7	378.0	378.0

HIGH GRADE COPPER 25,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Mar	95.05	94.70	95.35	94.90
Apr	95.35	95.35	0	0
May	95.95	95.75	96.20	95.60
Jun	96.50	96.15	96.50	96.35
Jul	96.80	96.60	96.95	96.55
Aug	97.10	97.00	97.10	97.10
Sep	97.40	97.40	97.60	97.40

CRUDE OIL (Light) 42,000 US galls $/barrel				
	Latest	Previous	High/Low	
Apr	20.50	20.61	20.62	20.40
May	20.54	20.63	20.65	20.43
Jun	20.58	20.65	20.67	20.48
Jul	20.62	20.66	20.69	20.51
Aug	20.65	20.66	20.65	20.50
Sep	20.73	20.67	20.73	20.56
Oct	20.60	20.68	20.60	20.55
Nov	20.60	20.67	20.60	20.55
Dec	20.57	20.65	20.60	20.52
Jan	20.63	20.63	20.53	20.53

HEATING OIL 42,000 US galls, cents/US galls				
	Latest	Previous	High/Low	
Mar	57.80	58.77	58.60	57.80
Apr	58.40	58.69	58.50	57.90
May	57.30	57.63	57.60	56.90
Jun	56.35	56.73	56.70	56.05
Jul	56.55	56.69	56.55	56.00
Aug	56.90	57.13	57.10	56.60
Sep	57.90	58.21	57.90	57.70
Oct	58.90	59.21	58.70	58.70
Nov	59.80	60.06	0	0
Dec	60.60	60.91	60.60	60.60

COCOA 10 tonnes;$/tonnes				
	Close	Previous	High/Low	
Mar	906	921	916	900
May	936	957	961	919
Jul	960	979	974	944
Sep	985	1002	997	968
Dec	1018	1032	1026	1001
Mar	1043	1062	1052	1026
May	1063	1082	1066	1046
Jul	1086	1105	0	0
Sep	1114	1133	1118	1118
Dec	1139	1158	1149	1143

COFFEE "C" 37,500lbs; cents/lbs				
	Close	Previous	High/Low	
Mar	61.00	63.95	63.50	60.65
May	64.65	66.45	65.90	64.30
Jul	66.45	68.00	67.60	66.00
Sep	68.30	69.60	68.90	67.65
Dec	71.15	72.05	72.00	70.80
Mar	73.25	74.45	73.75	73.50
May	75.00	76.25	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Mar	9.50	9.55	10.00	9.46
May	9.95	9.89	10.00	9.80
Jul	10.05	9.99	10.09	9.93
Oct	9.36	9.28	9.36	9.25
Mar	9.01	8.91	9.01	8.92

COTTON 50,000; cents/lbs				
	Close	Previous	High/Low	
Mar	63.57	63.20	63.75	62.80
May	63.32	63.02	63.47	62.31
Jul	64.17	63.81	64.35	63.20
Oct	63.65	63.23	63.65	63.00
Dec	62.60	62.20	62.60	61.95
Mar	63.26	62.95	62.85	62.85
May	63.85	63.55	0	0
Jul	64.25	64.12	0	0

ORANGE JUICE 15,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Mar	68.60	70.25	69.50	68.50
May	72.90	74.20	73.30	72.25
Jul	76.35	77.50	76.80	75.50
Sep	79.00	80.05	80.00	78.70
Nov	81.05	82.50	82.00	81.50
Jan	83.05	84.60	83.50	83.50
Mar	86.50	88.55	86.30	86.50
May	87.00	88.55	0	0
Jul	87.00	90.30	0	0

INDICES

REUTERS (Base:September 18 1931 = 100)			
Feb 26	Feb 25	mnth ago	yr ago
1774.6	1779.8	1702.1	1609.2

DOW JONES (Base: Dec. 31 1974 = 100)				
	Feb 25	Feb 24	mnth ago	yr ago
Spot	125.15	125.87	121.31	119.01
Futures	124.93	126.14	121.33	122.34

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel				
	Close	Previous	High/Low	
Mar	577/2	574/4	579/0	573/0
May	580/0	574/2	581/0	573/6
Jul	584/4	578/4	585/0	578/4
Aug	586/4	580/6	587/2	581/4
Sep	586/0	581/0	586/2	582/4
Nov	591/6	587/2	592/2	587/2
Jan	599/4	594/6	600/0	595/4

SOYABEAN OIL 60,000 lbs; cents/lb				
	Close	Previous	High/Low	
Mar	20.80	20.49	20.81	20.45
May	21.12	20.76	21.20	20.73
Jul	21.37	20.98	21.40	20.94
Aug	21.42	21.04	21.42	21.03
Sep	21.42	21.03	21.42	21.14
Oct	21.42	21.05	21.42	21.17
Dec	21.57	21.15	21.60	21.32
Jan	21.57	21.13	0	0

SOYABEAN MEAL 100 tons; $/ton				
	Close	Previous	High/Low	
Mar	176.3	176.9	177.3	176.0
May	178.7	178.8	179.3	178.3
Jul	180.6	180.9	181.3	180.3
Aug	182.1	182.1	182.5	181.6
Sep	183.0	182.8	183.8	182.8
Oct	184.4	184.1	184.9	184.1
Dec	187.1	186.6	187.9	186.6
Jan	186.7	186.3	0	0

MAIZE 5,000 bu min; cents/56lb bushel				
	Close	Previous	High/Low	
Mar	211/2	210/2	211/4	210/2
May	219/2	218/4	219/4	218/2
Jul	225/6	226/2	226/2	225/2
Sep	232/2	231/2	232/4	231/2
Dec	239/0	237/6	239/2	237/4

WHEAT 5,000 bu min; cents/60lb-bushel				
	Close	Previous	High/Low	
Mar	372/2	370/2	372/4	369/4
May	333/2	332/4	333/6	331/0
Jul	316/4	315/0	315/4	313/2
Sep	319/4	319/4	319/4	317/6
Dec	326/6	327/2	327/6	326/6

LIVE CATTLE 40,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Apr	80.225	78.675	80.475	78.550
Jun	74.325	73.700	74.450	73.675
Aug	71.325	70.850	71.400	70.750
Oct	72.425	72.100	72.575	72.025
Dec	73.175	72.775	73.200	72.825
Feb	72.500	71.975	72.600	72.050

LIVE HOGS 40,000 lb; cents/lbs				
	Close	Previous	High/Low	
Apr	45.525	45.625	46.000	45.450
Jun	50.825	50.700	51.050	50.500
Jul	49.300	49.225	49.425	49.000
Aug	46.750	46.750	46.900	46.350
Oct	41.900	42.000	42.000	41.650
Dec	43.100	43.200	43.350	43.100
Feb	43.250	43.250	43.400	43.250

PORK BELLIES 40,000 lbs; cents/lb				
	Close	Previous	High/Low	
Mar	38.925	38.975	39.900	38.600
May	40.225	40.400	41.300	40.100
Jul	40.500	40.750	41.425	40.425
Aug	39.100	39.050	40.000	39.100

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar rises on GDP number

THE DOLLAR checked its recent fall against the D-Mark yesterday following the strong upward revision for US fourth quarter GDP that the market had been expecting, *writes James Blitz.*

The annualised 4.8 per cent rise in GDP in the last 3 months of 1992, against an original estimate of 3.1 per cent, helped the dollar to peak at DM1.6470 in the early European afternoon.

However, dealers appeared to be following the old adage "buy on the rumour and sell on the facts," and the US currency later slipped to a close of DM1.6415, a net 0.7 pfennigs up on the day.

The dollar's rise was also helped by a growing feeling that the Bundesbank may ease monetary policy again at its council meeting next Thursday.

Dealers appeared to think that there would no cut in Germany's officially posted rates. However, a softening of the rate at which the Bundesbank provides wholesale funds to commercial banks was deemed more likely.

The German banking union's decision to settle on a 3.3 per cent wage rise for its 430,000 workers was one reason for the optimism on German rate cuts.

Following the public sector unions' decision to keep wage rises to 3.0 per cent, the chances of inflation being contained within ranges that the Bundesbank would find acceptable is now seen to be more likely.

Another factor signalling a near-term cut in rates was the recent call from Mr Hans Tietmeyer, the Bundesbank vice-president, for urgent action to conclude the drawn-out solidarity pact negotiations in Bonn between the government, the federal states and the opposition.

One dealer interpreted this call as a sign that the Bundesbank wants to ease monetary policy as quickly as possible.

The dollar was underpinned against the yen by a growing belief that there will be no accord by the G7 finance ministers meeting in London today to maintain a strong yen against the dollar.

An announcement that there will be no formal communique following the meeting reinforced this view. The Japanese authorities are concerned that a strong yen will restrict their exports during a period of acute economic weakness in their country. The dollar closed at Y118.00 from a previous Y117.50.

Prospects of an easing in German rates again helped to reduce tensions in the Exchange Rate Mechanism yesterday. The Spanish central bank again intervened in the markets. The peseta closed at Pta71.69 against the D-Mark from a previous close of Pta71.93.

£ IN NEW YORK

Feb.26	Latest	Previous Close
£ Spot	1.4215-1.4225	1.4315 1.4325
1 month	0.40-0.38pm	0.39 0.38pm
3 months	1.01-0.98pm	1.07 1.05pm
12 months	2.82-2.72pm	2.97 2.90pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Feb.26	Previous
8.30 am	76.3	75.7
9.00 am	76.3	75.8
10.00 am	76.1	75.9
11.00 am	76.3	75.9
Noon	76.3	76.1
1.00 pm	76.3	76.1
2.00 pm	76.2	76.1
3.00 pm	76.0	76.3
4.00 pm	76.0	76.3

CURRENCY RATES

Feb 26	Bank § rate %	Special * Drawing Rights	European † Currency Unit
Sterling	-	0.964902	0.826542
U S Dollar	3.00	1.38145	1.17592
Canadian $	6.49	1.73179	1.47108
Austrian Sch	8.25	15.8176	13.6160
Belgian Franc	7.50	46.2820	39.8578
Danish Krone	11.50	8.65989	7.43006
D-Mark	8.00	2.25038	1.93498
Dutch Guilder	7.50	2.53952	2.17639
French Franc	10	7.65976	6.57222
Italian Lira	11.50	2174.73	1869.36
Japanese Yen	2.50	162.320	138.665
Norway Krone	-	9.59003	8.25379
Spanish Peseta	-	161.196	139.053
Swedish Krona	11.50	N/A	9.22980
Swiss Franc	5.50	2.08516	1.79328
Greek Drach	19	N/A	261.993
Irish Punt	-	N/A	0.796425

§ Bank rate refers to central bank discount rates. These are not quoted by the UK, Spain and Ireland. † European Commission Calculations. * All SDR rates are for Feb.25

CURRENCY MOVEMENTS

Feb 26	Bank of England Index	Morgan** Guaranty Changes %
Sterling	76.0	-33.70
U S Dollar	66.6	-11.50
Canadian Dollar	97.8	-5.64
Austrian Schilling	115.9	+17.58
Belgian Franc	116.6	+2.61
Danish Krone	119.9	+14.08
D-Mark	126.4	+33.26
Swiss Franc	109.8	+18.10
Dutch Guilder	120.4	+21.96
French Franc	110.5	-3.94
Lira	78.8	-36.08
Yen	163.6	+100.99
Peseta	99.4	-24.52

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100). **Rates are for Feb.25

OTHER CURRENCIES

Feb 26	£	$
Argentina	1.4210 - 1.4225	0.9995 - 1.0005
Australia	2.0450 - 2.0470	1.4390 - 1.4390
Brazil	27174.5 - 27185.0	19117.0 - 19117.1
Finland	8.4550 - 8.5035	5.9400 - 5.9700
Greece	314.450 - 320.75	220.040 - 224.450
Hong Kong	10.9855 - 10.9975	7.7330 - 7.7340
Iran	2200.00*	1485.00*
Korea(Sth)	1130.60 - 1140.80	792.40 - 798.40
Kuwait	0.43700 - 0.43800	0.30750 - 0.30800
Luxembourg	48.10 - 48.20	33.80 - 33.90
Malaysia	3.7360 - 3.7455	[illegible]
[illegible]	[illegible]	[illegible]

*Floating rate. Iran Official rate [illegible]

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Feb 26	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Spanish Peseta	142.150	139.053	-2.18	2.58	38
Portuguese Escudo	180.624	177.529	-1.71	2.09	29
Irish Punt	0.809996	0.796425	-1.68	2.05	55
Dutch Guilder	2.20045	2.17639	-1.09	1.45	32
Belgian Franc	40.2802	39.8578	-1.05	1.40	30
D-Mark	1.95294	1.93498	-0.92	1.27	31
Danish Krone	7.44934	7.43006	-0.26	0.60	-8
French Franc	6.54988	6.57222	0.34	0.00	-44

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate. (17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by Financial Times.

POUND SPOT - FORWARD AGAINST THE POUND

[illegible]

Commercial rates taken towards the end of London trading. Six-month forward dollar 1.76-1.71pm. 12 Month 2.82-2.72pm

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

[illegible]

Commercial rates taken towards the end of London trading. † UK, Ireland and Ecu are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

EURO-CURRENCY INTEREST RATES

[illegible]

Long term Eurodollars: two years 4½-4⅜ per cent; three years 4⅞-4¾ per cent; four years 5⅜-5¼ per cent; five years 5⅝-5½ per cent nominal. Short term rates are call for US Dollar and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

Feb.26	£	$	DM	Yen	F Fr.	S Fr.	N Fl.	Lira	C$	B Fr.	Pta	Ecu
£	1	1.423	2.335	168.0	7.940	2.172	2.627	2261	1.777	48.15	167.4	1.209
$	0.703	1	1.641	118.1	5.580	1.526	1.846	1589	1.249	33.84	117.6	0.850
DM	0.428	0.609	1	71.95	3.400	0.930	1.125	968.3	0.761	20.62	71.69	0.518
YEN	5.952	8.470	13.90	1000.	47.26	12.93	15.64	13458	10.58	286.6	996.4	7.190
F Fr.	1.259	1.792	2.941	211.6	10.	2.736	3.309	2848	2.238	60.64	210.8	1.521
S Fr.	0.460	0.655	1.075	77.35	3.656	1	1.209	1041	0.818	22.16	77.07	0.556
N Fl.	0.381	0.542	0.889	63.95	3.022	0.827	1	860.7	0.676	18.33	63.72	0.460
Lira	0.442	0.629	1.033	74.30	3.512	0.961	1.162	1000.	0.786	21.30	74.04	0.534
C $	0.563	0.801	1.314	94.54	4.468	1.222	1.478	1272	1	27.10	94.20	0.680
B Fr.	2.077	2.955	4.849	348.9	16.49	4.511	5.456	4696	3.690	100.	347.7	2.509
Pta	0.597	0.850	1.395	100.4	4.743	1.297	1.569	1351	1.062	28.76	100.	0.722
Ecu	0.828	1.178	1.933	139.1	6.573	1.798	2.175	1872	1.471	39.86	138.6	1.

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr per 100: Peseta per 100.

FORWARD RATES AGAINST STERLING

	Spot	1 mth	3 mths	6 mths	12 mths
US Dollar	1.4230	1.4192	1.4129	1.4057	1.3953
D-mark	2.3350	2.3398	2.3480	2.3592	2.3717
French Fr	7.9400	7.9791	8.0601	8.1450	8.2450
Swiss Fr	2.1725	2.1714	2.1700	2.1668	2.1581
Yen	168.00	167.58	166.82	165.89	164.19

FINANCIAL FUTURES AND OPTIONS

LIFFE LONG GILT FUTURES OPTIONS £50,000 64ths of 100%

[illegible]

LIFFE EURO SWISS FRANC OPTIONS SFr 1m points of 100%

[illegible]

LIFFE BUND FUTURES OPTIONS DM250,000 points of 100%

[illegible]

LIFFE EUROMARK OPTIONS DM1m points of 100%

[illegible]

LIFFE ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS Lire 200m 100ths of 100%

[illegible]

LIFFE SHORT STERLING OPTIONS £500,000 points of 100%

[illegible]

LONDON (LIFFE)

9% NOTIONAL BRITISH GILT £50,000 32nds of 100%

[illegible]

US TREASURY BONDS 8% $100,000 32nds of 100%

[illegible]

6% NOTIONAL GERMAN GOVT. BOND DM250,000 100ths of 100%

[illegible]

6% NOTIONAL MEDIUM TERM GERMAN GOVT. BOND DM250,000 100ths of 100%

[illegible]

6% NOTIONAL LONG TERM JAPANESE GOVT. BOND Y100m 100ths of 100%

[illegible]

12% NOTIONAL ITALIAN GOVT. BOND (BTP) LIRA 200m 100ths of 100%

[illegible]

THREE MONTH STERLING £500,000 points of 100%

[illegible]

THREE MONTH EURODOLLAR $1m points of 100%

[illegible]

THREE MONTH EUROMARK DM1m points of 100%

[illegible]

THREE MONTH ECU

[illegible]

THREE MONTH EURO SWISS FRANC SFr 1m points of 100%

[illegible]

THREE MONTH EUROLIRA INT. RATE LIRA 1000m points of 100%

[illegible]

FT-SE 100 INDEX £25 per full index point

[illegible]

* Contracts traded on APT. Closing prices shown.

CHICAGO

U.S. TREASURY BONDS (CBT) 8% $100,000 32nds of 100%

[illegible]

U.S. TREASURY BILLS (IMM) $1m points of 100%

[illegible]

BRITISH POUND (IMM) $ per £

[illegible]

SWISS FRANC (IMM) SFr 125,000 $ per SFr

[illegible]

JAPANESE YEN (IMM) Y12.5m $ per Y100

[illegible]

DEUTSCHE MARK (IMM) DM125,000 $ per DM

[illegible]

THREE-MONTH EURODOLLAR (IMM) $1m points of 100%

[illegible]

STANDARD & POORS 500 INDEX

[illegible]

PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per £1)

[illegible]

PARIS

7 to 10 YEAR 10% NOTIONAL FRENCH BOND (MATIF) FUTURES

[illegible]

THREE-MONTH PIBOR FUTURES (MATIF) (Paris Interbank offered rate)

[illegible]

CAC-40 FUTURES (MATIF) Stock Index

[illegible]

ECU BOND (MATIF)

[illegible]

OPTION ON LONG-TERM FRENCH BOND (MATIF)

Strike	Calls April	Calls June	Calls September	Puts April	Puts June	Puts September
114	-	2.62	-	-	0.22	-
115	1.49	1.91	2.47	0.09	0.38	-
116	0.80	1.32	-	0.26	0.61	-
117	0.35	0.74	1.30	0.54	0.92	-
118	0.12	0.37	0.88	-	1.35	-
Open Int.	0	146,426	15,676	0	76,285	11,319

Estimated volume 30,097 † Total Open Interest 250,956
† All Yield & Open interest figures are for the previous day.

POUND - DOLLAR

FT FOREIGN EXCHANGE RATES

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.4230	1.4192	1.4129	1.4057	1.3953

MONEY MARKETS

Rate cut envisaged

THERE was strong speculation yesterday that the Bundesbank would ease monetary policy next week after the German banking unions accepted a 3.3 per cent pay rise for its members, *writes James Blitz.*

Yesterday's deal followed the recent 3.0 per cent rise for public sector workers, and may have led the Bundesbank to believe that pay deals would remain within a 3 to 4 per cent range.

UK clearing bank base lending rate 6 per cent from January 26, 1993

That was one reason why dealers were yesterday more bullish about the prospect of the Bundesbank easing rates at its council meeting next week. Recent calls by the Bundesbank for a speedy conclusion to the Solidarity Pact have also raised speculation that the German central bank wants to ease rates as soon as possible.

The March Euromark contract rose 10 basis points on the day to close at 91.99, a level which assumes that 3-month money on March 15th will be at 8.01 per cent.

That assumed that there would be a 30 basis point dip in the cost of 3-month cash in the next fourteen days.

French franc futures also enjoyed a rally, with the March contract rising 29 basis points to close at 88.38.

This came despite a weaker performance by the French currency and the fact that 3-month French franc interest rates have failed to dip below 12 per cent.

Many dealers believe that the council meeting on March 4th is the last chance for the Bundesbank to ease policy before the March contracts expire and the parliamentary elections in France begin.

But, in spite of yesterday's stronger performance, the pessimists over Bundesbank policy were still out in force yesterday.

"We know what should happen and what needs to happen, but none of us know when it will," said one dealer last night.

Sterling futures were caught up in yesterday's rallies, despite a colossal shortage in the discount market.

The Bank of England forecast a shortage of £2.9bn yesterday, but it was removed without the need for late assistance.

Three-month money again closed at 6⅛ per cent. The March short sterling contract rose 8 basis points at one stage, to peak at 94.11, but later fell to a close of 94.04. At this level it is virtually assuming unchanged base rates until after the budget.

FT LONDON INTERBANK FIXING

(11.00 a.m. Feb.26) 3 months US dollars		6 months US Dollars	
bid 3⅛	offer 3¼	bid 3¼	offer 3⅜

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK

Lunchtime		Treasury Bills and Bonds			
Prime rate	6	One month	2.86	Three year	4.37
Broker loan rate	5	Two month	2.89	Five year	5.20
Fed.funds	3⅛	Three month	3.01	Seven year	5.64
Fed.funds at intervention	-	Six month	3.14	10-year	6.02
		One year	3.30	30-year	6.88
		Two year	3.94		

Feb.26	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	8.80-9.00	8.50-8.65	8.35-8.50	8.25-8.40	7.85-8.00	9.00
Paris	11⅜-11⅝	11¾-12⅛	-	11⅞-12⅛	-	9.10
Zurich	5¾-6	5½-5⅝	-	5⅜-5½	-	-
Amsterdam	8.25-8.31	8.17-8.25	-	7.96-8.04	-	-
Tokyo	3⅛-3¼	3⅛-3½	-	-	-	-
Milan	11⅝-11¾	11⅞-11½	-	11⅜-11⅝	-	-
Brussels	9-9¼	9-9¼	-	8⅞-9	-	-
Dublin	10½-11	14¼-14½	14-14¼	13¾-14¼	13-13¼	-

LONDON MONEY RATES

Feb 26	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	7¾	6½	6⅜	6⅜	5⅞	5⅞
Interbank Bid	3	6	6¼	6¼	5⅞	5¾
Sterling CDs	-	-	6¼	6	5⅞	5¾
Local Authority Deps.	5¾	5¼	6⅛	6⅛	5⅞	5⅝
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps	5¼	6⅛	-	-	-	-
Company Deposits	-	-	-	-	-	-
Finance House Deposits	-	-	6⅜	6⅜	5⅞	5⅝
Treasury Bills (Buy)	-	-	5⅞	5⅞	5⅞	-
Bank Bills (Buy)	-	-	5⅞	5⅞	5⅞	-
Fine Trade Bills (Buy)	-	-	-	-	-	-
Dollar CDs	-	-	3.03	3.07	3.15	3.41
SDR Linked Dep. Offer	-	-	5½	5⅜	5¼	5¼
SDR Linked Dep. Bid	-	-	5⅜	5¼	5⅛	5
ECU Linked Dep. Offer	-	-	9¾	9⅞	9⅜	8⅞
ECU Linked Dep. Bid	-	-	9⅝	9⅝	9¼	8⅝

Treasury Bills (sell); one-month 5⅞ per cent; three months 5⅞ per cent; six months 5⅞ per cent; Bank Bills (sell); one-month 5⅞ per cent; three months 5⅞ per cent; Treasury Bills; Average tender rate of discount 5.4148. ECGD Fixed Rate Sterling Export Finance. Make up day February 26, 1993. Agreed rates for period March 24, 1993 to April 25, 1993, Scheme I: 7.35 p.c., Schemes II & III: 7.47 p.c. Reference rate for period January 30, 1993 to February 26, 1993, Scheme IV&V: 6.228 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 7 from March 1, 1993; Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 2¼ per cent; one-three months 5¼ per cent; three-six months 5 per cent; six-nine months 4¾ per cent; nine-twelve months 4½ per cent; Under £100,000 2¼ per cent from Jan 27, 1993. Deposits withdrawn for cash 1¼ per cent.

BANK RETURN

BANKING DEPARTMENT	Wednesday February 24, 1993		Increase or decrease for week
LIABILITIES	£		£
Capital	14,553,000		
Public Deposits	2,709,505,716	-	239,049,994
Bankers Deposits	1,590,214,112	+	55,460,979
Reserve and other Accounts	3,860,815,613	-	40,914,814
	8,175,088,441	-	224,503,829
ASSETS			
Government Securities	1,312,806,175	+	74,855,000
Advance and other Accounts	4,910,980,638	-	41,384,505
Premises Equipment & other Secs	1,942,513,828	-	259,322,100
Notes	8,579,466	+	1,533,647
Coin	228,336	+	14,129
	8,175,088,441	-	224,503,829
ISSUE DEPARTMENT			
LIABILITIES			
Notes in circulation	16,171,420,534	+	8,466,353
Notes in Banking Department	8,579,466	+	1,533,647
	16,180,000,000	+	10,000,000
ASSETS			
Government Debt	11,015,100		
Other Government Securities	5,806,521,159	-	932,216,354
Other Securities	10,362,463,741	+	942,216,354
	16,180,000,000	+	10,000,000

BASE LENDING RATES

	%		%		%
Adam & Company	6	Cyprus Popular Bank	6	Mount Banking	6
Allied Trust Bank	6	Duncan Lawrie	6	NatWestminster	6
AIB Bank	6	Equatorial Bank plc	6	Nykredit Mortgage Bnk	6.5
●Henry Ansbacher	6	Exeter Bank Limited	7	●Rea Brothers	6
B & C Merchant Bank	13	Financial & Gen Bank	7	Roxburghe Bank Ltd	6
Bank of Baroda	6	●Robert Fleming & Co	6	Royal Bk of Scotland	6
Banco Bilbao Vizcaya	6	Girobank	6	●Smith & Williamson Secs	6
Bank of Cyprus	6	●Guinness Mahon	6	Standard Chartered	6
Bank of Ireland	6	Habib Bank AG Zurich	6	TSB	6
Bank of India	6	●Hambros Bank	6	Unibank plc	6
Bank of Scotland	6	Heritable & Gen Inv Bk	6	●United Bk of Kuwait	6
Barclays Bank	6	●Hill Samuel	6	Unity Trust Bank Plc	6
Brit Bk of Mid East	6	C. Hoare & Co	6	Western Trust	6
●Brown Shipley	6	Hongkong & Shanghai	6	Whiteaway Laidlaw	6
CL Bank Nederland	6	Julian Hodge Bank	6	Yorkshire Bank	6
Citibank NA	6	●Leopold Joseph & Sons	6		
City Merchants Bank	6	Lloyds Bank	6		
Clydesdale Bank	6	Meghraj Bank Ltd	6		
The Co-operative Bank	6	McDonnell Douglas Bk	6		
Coutts & Co	6	Midland Bank	6		
Credit Lyonnais	6				

● Members of British Merchant Banking & Securities Houses Association

MONEY MARKET FUNDS

Money Market Trust Funds

[illegible]

Money Market Bank Accounts

[illegible]

NOTES– Gross: Contractual rate of interest payable not taking account of the deduction of basic rate income tax. Net: Rate of interest payable after allowing for deduction of basic rate income tax. Gross CAR: Gross rate annualised to take account of compounding of interest paid other than once a year. 'Compounded Annual Rate'. Int Crd: Frequency at which interest is credited to the account.

LONDON STOCK EXCHANGE: Dealings

Details of business done shown below have been taken with consent from last Thursday's Stock Exchange Official List and should not be reproduced without permission.

Details relate to those securities not included in the FT Share Information Services.

Unless otherwise indicated prices are in pence. The prices are those at which the business was done in the 24 hours up to 5 pm on Thursday and settled through the Stock Exchange Talisman system, they are not in order of execution but in ascending order which denotes the day's highest and lowest dealings.

For those securities in which no business was recorded in Thursday's Official List the latest recorded business in the four previous days is given with the relevant date.

Rule 535(2) stocks are not regulated by the International Stock Exchange of the United Kingdom and the Republic of Ireland Ltd.

† Bargains at special prices. ♦ Bargains done the previous day.

British Funds, etc

No. of bargains included 2571

Treasury 13¼% Stk 2000/03 – £133⅞ 133¾ 134

Exchequer 10½% Stk 2005 – £116⅞ (24Fe93)

Guaranteed Export Finance Corp PLC 12½% Gtd Ln Stk 2002(Reg) – £129 (24Fe93)

Corporation and County Stocks

No. of bargains included

UK Public Boards

No. of bargains included

Commonwealth-Government

No. of bargains included

Foreign Stocks, Bonds, etc-(coupons payable in London)

No. of bargains included

Land Securities PLC9½% Bds 2007 – £99⅜ (23Fe93)

6¾% Cnv Bds 2002 – £92⅜ (22Fe93)

9½% Cnv Bds 2004 (Br£5000&50000) – £109⅜

Lasmo PLC7¾% Cnv Bds 2005 – £86⅞

9⅛% Nts 1995 (Br £ Var) – £102⅞ (23Fe93)

Leeds Permanent Building Society7⅞% Nts 1997(Br£Var) – £100⅞

10⅞% Subord Bds 1998 (Br£5000) – £110⅞

Leeds Permanent Building Society10⅞% Subord Bds 2018 (Br £Var) – £105⅞

Sterling Issues by Overseas Borrowers

No. of bargains included

Listed Companies(excluding Investment Trusts)

No. of bargains included

Miscellaneous Warrants

No. of bargains included

USM Appendix

No. of bargains included

Rule 535(2)

No. of bargains included

Gibbons (Stanley)Hldgs PLCOrd 25p – £0.15 (24Fe93)

Guernsey Gas Light Co Ld Ord 10p – £0.48 (24Fe93)

Henderson Fund Managers(C.I.)North American Growth Fund – $5.5252

Hydro Hotel Eastbourne PLCOrd £1 – £3.57 3.6 (24Fe93)

INVESCO MIM International Ld Japan Income & Growth – £1.595

Investment Trusts

No. of bargains included

RULE 535 (4) (a)

Bargains marked in securities where principal market is outside the UK and Republic of Ireland. Quotation has not been granted in London and dealings are not recorded in the Official List.

Aust. Foundation Inv A$1.9656 (19/2)
Boise Cascade Corp $25♦ (19/2)
Cape Range Oil A$[illegible]
City Developments S$4.061 (24/2)
Dainippon Screen Manufacturing Y613 (19/2)
Dallzer Exploration 72 (19/2)
Golden Valley Mines A$0.02 (23/2)
Hysan Development HK$15.02
Kulim Malaysia Ord 36.0 (22/2)
Kulim Malaysia Ord (Malay Ord) 29.0 (22/2)
Leighton Hldgs A$1.46 (24/2)
Malayan Cement M$4.909
Malaysian Airline System M$5.1306♦ (19/2)
National Electronics Holdings 5.54
Niugini Mining 96 (19/2)
North Flinders Mines £2.25 (24/2)
Oil Search 28.0
Playmates Hldgs HK$3.125 (24/2)
Samantha Holdings Berhad 58.0 (22/2)
Selangor Coconuts 30.0 (22/2)
Storer Communications SKr303.0
Westfield Minerals A$5.23♦

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FINANCIAL TIMES

Published in

LONDON ● PARIS ● FRANKFURT ● NEW YORK ● TOKYO

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LONDON STOCK EXCHANGE

Footsie approaches its closing peak

By Terry Byland,
UK Stock Market Editor

REPRIEVED, for the time being at least, from the impact of the blue chip rights issue threatened at the beginning of the week, the London stock market rebounded strongly yesterday, gaining 39.3 points to close within six points of its previous all-time closing high.

Speculation on the chances of a German rate cut gave a final boost to stocks in London. Gilt-edged issues extended their gains at the end of the session. There was renewed US demand for ICI shares and the end of the two-week equity market account prompted a rush of bear closing – buying from market traders needing shares to meet selling commitments accepted earlier this week.

Account Dealing Dates		
*First Dealings:		
Feb 15	Mar 1	Mar 15
Option Declarations:		
Feb 25	Mar 11	Mar 25
Last Dealings:		
Feb 26	Mar 12	Mar 26
Account Day:		
Mar 8	Mar 22	Apr 5

*New time dealings may take place from 8.30am two business days earlier.

The bear rush was headed by UK buyers of ICI, who were in turn reacting to heavy demand for the shares in New York overnight. London traders are believed to have suffered heavy losses on ICI shares, which they sold down to 1076p on Monday; the shares ended at just over £12 in London last night and were attracting renewed US support.

Upward pressures on share prices received a further boost as the final deals related to the £200m-plus buy programme seen earlier in tha week were hurriedly transacted.

Equities moved ahead strongly throughout the session, receiving a final boost as the new trading account opened.

The FT-SE Index closed 39.3 up at 2,868, just under its closing high of 2,873.8 achieved on February 3 – on the following day, the Footsie traded briefly at 2,900.1. By last night, the Index has recovered all the ground lost since last Friday to show a net gain of 28 points over the week. The change in the Index over the two-week equity account is much the same (25 points).

The market has moved through its trading range this week, dipping to 2,809 on Thursday and challenging 2,873 at yesterday's peak. Sentiment has been dominated by the swing of views ahead of the ICI trading and demerger statement, culminating in relief that the £1.3bn rights issue will not hit the market until June. Violent swings in the ICI share price have had a significant effect on market indices.

Seaq volume increased in late trading as London caught the hint of optimism on German interest rates. The final Seaq total of 671.3m shares compared with 620.6m on Thursday, with both figures swollen by the excitement in ICI and the other pharmaceutical leaders.

Non-Footsie volume made up around 61 per cent of yesterday's total. Retail business in equities has remained high in London.

TRADING VOLUME IN MAJOR STOCKS

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down.

Income funds look to Gas

STRONG support for British Gas, apparently from income funds seeking to take advantage of the 3.5 per cent yield on the final dividend, drove the shares up sharply to close 9 higher at 298p. Buying was additionally fuelled by reports that James Capel, the leading agency broker, had upgraded its dividend forecasts for the company after Gas's 1992 figures announced on Thursday.

The income funds are expected to be keen supporters of the stock until it goes ex-dividend on May 10. However, some specialists cautioned that the outcome of the inquiry being carried out by the Monopolies and Mergers Commission may be made public before that time.

US chases ICI

US buying ensured heavy volume in ICI shares following the hefty gain on Thursday when the company announced results, demerger details and a £1.3bn cash call.

The shares were actively traded in New York on Thursday night where the American Depositary Receipts rose $3¼. In London, they opened 19 ahead and moved forward steadily to close 55½ up at 1208p on turnover of 10m. Prices were squeezed higher as many UK dealers were caught short by the extent of the US enthusiasm. Specialists said yesterday that the shares were rapidly approaching a resistance barrier between 1250p and 1350p and there was likely to be a lull in trading ahead of the rights issue in May.

Meanwhile, chemicals group Courtaulds saw its shares rise 10 to 566p in sympathy with the ICI performance.

GUS active

A report in the trade press that Great Universal Stores is poised to rekindle its interest in the property market provided the latest hint that liquidity may be returning to the moribund sector. GUS, which has a property investment portfolio worth more than £600m, was seen as displaying good timing in reducing property activity before the boom years of 1989-90. By apparently expanding again, the group is viewed in some quarters as another harbinger of revival in the commercial property market.

The trade report prompted broker Hoare Govett to change its stance on the stock moving from a sell to undervalued. Analyst Ms Emma Burdett said: "A gradual return to property is a positive move by GUS which will be able to use its cash in something with a good yield at a time of declining interest rates." She added that the stock had underperformed in the last quarter and the shares were now looking better value. The 'A's closed 13 ahead at 1643p.

GUS, which has cash reserves of over £1bn, played down the report, a spokesman asserting: "We have no crash programme to invest."

The UK's two leading oil exploration and production (E&P) stocks, Enterprise Oil and Lasmo, were the best performers in the oil sector.

One specialist said Lasmo started the ball rolling, moving up strongly after a stock overhang had been cleared and amid vague takeover talk, dragging Enterprise up with it.

There were suggestions that Enterprise had been talking to US institutions but that was seen as unlikely as Enterprise is in the "closed period" and consequently prevented from discussing its trading progress. Enterprise is due to report preliminary figures on March 11. Lasmo closed 7 higher at 8 up at 182p and Enterprise 16 firmer at 476p.

Pharmaceuticals and scientific instruments group Fisons, which is expected to show a profit fall to between £100m and £120m from 1991's £190.5m when it reports on Tuesday, slipped 3 to 241p. However, the market expects the dividend to be maintained at 8.7p a share.

Glaxo gained 22 to 667p as analysts noted that the US Food and Drug Administration advisory committee was meeting to discuss the company's Serevent asthma drug. The meeting had been known about for some time but investors are expecting good news. There was also some talk that the company might make a bid for Smith & Nephew. The potential link was greeted with disbelief, but there was activity in Smith which rose 5½ to 156p on turnover of 3.9m.

A difficult week for the high street banks closed with the sector staging a strong fight back after the bout of downside pressure triggered earlier by higher than expected bad debts at NatWest.

Abbey National, reporting on Tuesday and expected to increase the annual dividend in excess of 10 per cent, jumped 10 more to a 398p.

Hambros eased a penny to 313p, with one securities house said to have bought a block of 1.9m shares – around 1 per cent of those in issue – at 311½p and placed them in the market at 313p.

Composite insurances showed General Accident 10 up at 569p, despite strong suggestions that a big fund raising could accompany next Tuesday's preliminary results which should see the group reveal losses much reduced at around £30m, compared with last time's £171m loss.

A 5 per cent rise in the price of Pernod shares in Paris revived old speculation of a bid and rights issue from Allied Lyons. Allied's shares reflected the disinterest for the story in London and rose 2 to 587p. Kingfisher was hounded by a combination of worries over the French economy, a negative press article and profit-taking, all on the back of its recent purchase of Darty, the French electrical retailer. The shares tumbled 12 to 544p.

Unilever's post-results run continued, the shares adding 17 to 1225p. There were also reports of switching from the NV into the PLC shares by investors seeking a double dividend.

P & O firmed 3 to 549p, with NatWest Securities having recommended the stock. The securities house believes the dividend is secure and said that when the company reports figures towards the end of the month, "writedowns of land and properties will affect both the results and balance sheets but these will generally be seen as history, whereas the sterling devaluation will confer increasing benefits".

Pearson shares fell 16 before closing 10 down at 181p after a block of about 1.2m shares were sold at 383p overnight.

MARKET REPORTERS:
Christopher Price,
Peter John, Joel Kibazo,
Steve Thompson.

■ Other market statistics, Page 11.

NEW HIGHS AND LOWS FOR 1992/93

NEW HIGHS (160).

BRITISH FUNDS (40) AMERICANS (13) American T & T, Ameritech, BankAmerica, Bel Atlantic, BellSouth, FPL, Gillette, Morgan (JP), NYNEX, Quaker Oats, Sears Roebuck, Texaco, US West, CANADIANS (1) Hudson's Bay, BANKS (6) Abbey Natl., Allied Irish, Bk. Scotland 9¼pc Pf., Do 9¾pc Pf., HSBC (HKS), Natl. Australia, BREWERS (1) Holt (J), BLDG MATLS (1) Kalon, BUSINESS SERVS (7) Capita, Hutch. Whmp., Inchcape, Rentokil, Rotis & Nolan, Salvesen (C), Sherwood, CHEMS (2) STR Nylex, Engelhard, CONGLOMERATES (1) CSR, ELECTRICALS (2) Kenwood, Motorola, ELECTRICITY (1) China Light, ELECTRONICS (4) Hewlett-Packard, Macro 4, Polar, Trace Computers, ENG AERO (2) Hunting 8¼pc Pf., Westland, ENG GEN (4) Adwest, Dickie (J), Mayflower, Spirax-Sarco, FOOD MANUF (2) Nichols (Vimto), Unilever, FOOD RETAILING (2) Iceland Frozen, Park, HEALTH & HSEHOLD (1) CreaticCare, HOTELS & LEIS (2) Owners Abroad 9¼pc Pf., Stanley, INSCE BROKERS (1) Lloyd Thompson, INSCE LIFE (1) Lon. & Manchester, INV TRUSTS (42) CST Emrg. Asia, Do Wts., Castle Cairn, Cairns & Eastern, Drayton Far East, Dunedin Worldwide, EFM Japan, English Natl., European Assets, Fidelity Euro. Values Wts., Do Units, First Philippine, Do Wts., Fleming Far Eastern, Flmg. Intl. High Inc., For. & Colonial Eurotrust, For. & Col. Pacific, Do Wts., Gartmore Emrg. Pacific, Govett Oriental, Henderson Eurotrust Units, Hong Kong Wts., Jupiter Euro. Wts., Martin Currie Pac., Do Wts., Mid Wynd, Morgan Grenfell Equity Wts., Murray Intl., Do B, New Frontiers Devlpt., Do 6½pc Ln. '16, Rights & Issues Inc., Robeco N/V, Do Sub Shares, Rolinco N/V, Do Sub. Shares, Scott. Asian, Second Market, TR Pacific, Thornton Asian Emrg. Mkts., Thornton Pan Euro., Tor, Turkey Tst., MEDIA (9) Aveseo, Glenheim, GWR, Harrington Kilbride, Metal Bulletin, News Corp., Portsmouth & Sunderland, Sterling Publs., Wassoughs, MERCHANT BANKS (1) Close Bros., MTL & MTL FORMING (1) Billam (J), MISC (5) Alumasc, Gt. Southern, LGW, Lambert Howarth, Silentnight, MOTORS (3) Bletchley, Davenport Vernon, Quicks, OIL & GAS (5) Bow Valley, British Gas, Kelt, Ramco, Saptus, OTHER FINCL (4) INVESCO MIM, Do 9pc '95-00, Natl. Home 7¼pc Pf., St James Pl. Cap., OTHER INDLS (3) BH Prop., Pacific Dunlop, Scapa, PACKG, PAPER & PRNTG (3) Jarvis Porter, Kissfield, Low & Bonar, PROP (2) Daejan, Land Lease, STORES (2) Courts, Partridge Fine Arts, TELE NETWORKS (1) Cable & Wireless, TEXTS (2) Alexandra Workwear, Allied Text., West Trust, TRANSPORT (3) Eurotunnel Units, GATX, Manchester Ship Canal, WATER (3) Cheam, East Surrey, Mid Kent, MINES (6) CRA, Delta, Normandy Poseidon, Nth. Broken Hill, Sons Gwalia, Zambia.

NEW LOWS (12).

BLDG MATLS (2) Johnston, Russell (A), BUSINESS SERVS (1) Gardner (DC), INV TRUSTS (3) Derby Inc., M & G Dual Inc., SPLIT Inc., MEDIA (1) Birkdale, MISC (1) Toye, OTHER INDLS (1) Eleco, PROP (2) Herring Baker Harris, High-Point, STORES (1) Pentos

EQUITY FUTURES AND OPTIONS TRADING

SOLID buying on the last day of the equity account led to a shortage of stock in futures, sending the March contract on the FT-SE sharply ahead, writes Joel Kibazo.

It started trading tentatively at 2,835, a sizeable selling order early in the day sent the contract falling to 2,832, but then firm buying led March higher for most of the session.

The buying was encouraged by renewed speculation about a cut in German interest rates, and a firm UK gilts sector. This demand and covering of short positions by traders led to a squeeze in March and it was trading at 2,873 ahead of the opening of Wall Street.

Further demand saw it close at the day's high of 2,878, up 47 on its previous close and at a 6-point premium to cash. Turnover was a healthy 13,815 contracts.

In traded options, volume improved to 29,949 lots with 11,747 lots dealt in the FT-SE 100 options. Interest in ICI continued to ensure that it was the day's most actively dealt stock option with 2,238 contracts traded. It was followed by British Steel at 1,931.

FINANCIAL TIMES EQUITY INDICES

FT-A INDICES LEADERS AND LAGGARDS

BENCHMARK GOVERNMENT BONDS

London closing, *denotes New York morning session. Yields: Local market standard. † Gross annual yield (including withholding tax at 12.5 per cent payable by non-residents.)
Prices: US, UK in 32nds, others in decimal. Technical Data/ATLAS Price Sources

RISES AND FALLS YESTERDAY

	On Friday Rises	Falls	Same	On the week Rises	Falls	Same
British Funds	65	4	8	201	112	72
Other Fixed Interest	3	0	12	19	5	51
Commercial, Industrial	305	241	869	1,322	1,394	4,363
Financial & Property	195	63	537	753	488	2,734
Oil & Gas	22	6	56	109	62	249
Plantations	0	1	7	2	7	31
Mines	22	33	84	157	119	419
Others	53	20	44	268	136	187
Totals	665	368	1,617	2,831	2,323	8,106

FT-SE Actuaries Share Indices — THE UK SERIES

FT-SE 100	FT-SE MID 250	FT-A ALL-SHARE
2868.0 +39.3	3036.1 +6.6	1396.53 +15.01

	Feb 26	Day's change	Feb 25	Feb 24	Feb 23	Year ago	Earnings yield %	Dividend yield %	P/E Ratio	Xd adj ytd	1992/93 High		1992/93 Low		Since Compilation High		Since Compilation Low	
FT-SE 100	2868.0	+1.4	[illegible]	2817.0	2818.0	2582.1	6.46	4.22	18.88	3.84	2873.8	3/2/93	2281.0	25/8/92	2873.8	3/2/93	986.9	23/7/84
FT-SE Mid 250	3036.1	+0.2	3029.5	3029.9	3037.1	2523.5	6.62	4.21	18.56	7.39	3051.4	8/2/93	2157.8	16/9/92	3051.4	8/2/93	1379.4	21/1/86
FT-SE-A 350	1414.2	+1.1	1398.3	1393.8	1395.0	1244.7	6.55	4.21	19.41	2.89	1416.5	8/2/93	1103.1	25/8/92	1416.5	8/2/93	884.5	14/1/86
FT-SE SmallCap	1529.16	+0.3	1525.29	1525.04	1528.25	–	5.57	4.19	25.95	4.16	1529.16	26/2/93	1363.79	31/12/92	1529.16	26/2/93	1363.79	31/12/92
FT-SE SmallCap ex Inv Trusts	1530.94	+0.2	[illegible]	[illegible]	[illegible]	–	5.99	4.46	23.66	3.89	1532.36	8/2/93	1363.79	31/12/92	1532.36	8/2/93	1363.79	31/12/92
FT-A ALL-SHARE	1396.53	+1.1	1381.52	1377.40	1376.84	1229.64	6.46	4.21	19.71	3.00	1396.63	8/2/93	1066.13	25/8/92	1396.63	8/2/93	61.92	13/12/74

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AUTHORISED UNIT TRUSTS

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often well above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♦) - 1101 to 1400 hours; (♠) - 1401 to 1700 hours; (♣) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point, a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

Life Assurance and Unit Trust Regulatory Organisation,
Centre Point,
103 New Oxford Street, London WC1A 1QH
Tel: 071 - 379 - 0444.

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	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Sharp (Albert E.) & Co (1000)F						
Admin. 5 Rayleigh Rd Hutton, Brentwood Essex						
Enquiries 0277 227300 Dealing 0277 261010						
European	5	108 90	109 40	115 20	-0 40	1 40
Intl Bond & Com	5	126 80	127 00	133 70	-0 20	5 40
Pooled Pension ‡	7	151 7	155 6	166 4	+1 2	-
Smaller Cos	5	61 15	62 94	66 25	-0 07	1 98
UK General	5	115 10	116 90	123 10	+0 70	2 78
Sheppards Unit Trust Mngmt Ltd (1200)F						
1 White Hart Yard London Bridge SE1 071 407 5966						
Income	5	381 82	381 82	406 19	-1 34	5 1
Global Inc	5	58 43	58 43	62 16	+0 06	3 93
Brit Leaders	5	310 09	310 09	329 88	-0 81	3 11
Intl Leaders	5	185 62	185 62	197 47	+2 15	1 67
FAs Her Bal Gwth Inc	3½	52 93	54 2	56 31	-0 04	3 02
Singer & Friedlander UT Mgmt Ltd (1000)F						
PO Box 224, Beckenham, BR3 4TF 081-663 3003						
European Trust	6	53 16	53 25	56 65	+0 09	1 37
Far Eastern Tst	6	57 71	58 48	62 21	-0 06	0.80
Smaller Cos	5	142 2	146 9xd	156 3	+0 3	2 11
Smith & Williamson Unit Tst Mgrs (1600)F						
1 Riding House St, London W1A 3AS. 071-637 5377						
S & W American ‡	5	272 4	273 0	288 8	+3 30	0 93
S & W Capital	5	115 1	115 1xd	123 3	+0 20	1 83
S & W Cash ‡	0	102 53	102 53	102 53	+0 02	5.85
S & W European	5	116 1	116 2	122 9	-0 70	1 55
S & W Far Eastern	5	121 0	122 2	129 2	+0 50	0 19
S & W Growth	5	122 4	123 9xd	131 1	+0 20	1 40
S & W Income	5	109 9	111 0	117 4		5 14
S & W Magnum	5	122 1	122 1	130 8	+0 30	1 96
S & W Smllr Secs	5	300 7	306 7	324 5	-0 50	0 62
S & W Thoroughbred	5	141 2	141 2	151 5	+0 40	1 67
Societe Generale Touche Remnant (1200)F						
Mermaid Hse 2 Puddle Dock EC4V 3AT 071-410 4029						
American Gwth	5¼	82 77	82 77	88 52	+0 66	0
Eur Sp Sits Acc	5¼	45 39	45 39	48 24	+0 03	0
Eur Sp Sits Inc	5¼	42 87	42 87	45 56	+0 03	0
Far East Opps Inc	5¼	30 20	30 20	32 34	+0 14	0
Far East Opps Acc	5¼	31 03	31 03	33 23	+0 14	0
General Growth	5¼	96 12	96 12xd	103 00	+0 90	2.43
General Growth Acc	5¼	98 55	98 55	105 60	+1 00	2.43
[illegible]	5¼	116 90	116 90	126 10	+0.20	0
Income Growth	5¼	96 28	96 28xd	103.90	+0 70	3 97

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Whittingdale Unit Tst Mgmt Ltd (0830)F						
2 Honey Lane London EC2V 8BT 071-600 0462						
Challenger	2½	94 57	94 57	96 78	+0.36	0 00
Short Dtd Gilt	1¼	109 9	109 9	111.3	+0 30	4 47
U.S. Govmt Bond	1¼	[illegible]	[illegible]	[illegible]	[illegible]	0 00
Gilt Income	4	52 62	52 62	54 75	+0.24	8 00
Gilt Growth	4	65.58	65 58	68.26	+0.21	0 00
City Reserve	0	52.24	52 24	52.24	+0.02	5 83
Woolwich Unit Trust Managers Ltd (1700)H						
1 White Oak Square, Swanley BR8 7AG 0705 388046						
Stockmarket Fd	5	64.35	64 50	68 61	+0	2.22

OTHER UK UNIT TRUSTS

	Bid Price	Offer Price	+ or -	Yield Grss
Baillie Gifford & Co Ltd				
Int I Expt Feb 19	671.2	692.7		1.00
Baring Investment Mngmt Ltd				
155 Bishopsgate London EC2M 3XY				
071 214 1050 (general enquiries) 071 214 1004 (dealing)				
Charitable Funds				
UK Growth & Income	52 84	54 73	+0.10	5.0
Income Plus	50 07	51 10	+0.62	7.4
James Capel Fund Managers Ltd				
European Exempt	112 465	113 72d	+1 001	2.94
Japanese Exempt	114 869	115 806	+0 618	-
Managed Exempt	129 187	136 515d	[illegible]	[illegible]
North American Exempt	105 018	106 782	[illegible]	1 12
Pacific Exempt	114 637	116 96	+1 092	2.89
Cent. Bd. of Fin. of Church of England‡‡				
2 Fore Street, London EC2Y 5AQ 071-588 1815				
Inv Fund Jan 31	585 00	591 20		5 04
Fxd Int Sec Jan 31	153 10	153 85		9.50
Deposit Fund See Money Market Trust Funds				

INSURANCES

Continued on next page

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IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)

OFFSHORE INSURANCES

MANAGEMENT SERVICES

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	Bid Price	Offer Price	+ or -	Yield Gross
CMI Fund Mngrs (IOM)				
Explorer Fund Ltd B	$16 81	18 18	..	-
Dealings Wednesday				
City Financial Admin (IoM) Ltd				
Sprint & Barrett	0 36	0 44		0 00
Sprint & Barrett S	30 51	[illegible]	..	0 00
Bechman Reserve Assets	102	102		0 00
Duncan Lawrie Inv. Mgt. Ltd				
DL Sterling	137 2	144 1		3 7
DL International	151 48	1 57		2 5
Gartmore Fund Managers (IoM)				
Intl Inc *	17 5	18 6	+0 1	9.0
* Projected Yield				
John Govett Management (IoM) Ltd				
Govett Gold NAV Feb 26		$14 92	-	-
Paragon Plus Red Feb 1		£9 85		-
Paragon Stlg Red Feb 1		£11.33		-
SE Asian Wt NAV Feb 25		$10 36		-
Govett Mgd Ftre Feb 26	£13 89	15 15		-
Govett Mngd Ftrs Feb 26	$9 74	10 65		-
Gen Pension Inv Feb 25		$14 38		-
Gen Pension Inv Stlg Feb 25		$6 13		-
Dlr Geared Bd Feb 26		[illegible]		-
IBI Global Funds Limited				
Intl Stlg Gwth	£21 68	22.83		-
Intl $US Gwth	$18 02	18 98		-
High Income Gilt	£27 08	28.07		-
International Equity	£22 12	23 29		-
International Bond	£24 45	25 34		-
Managed Currency	£28 10	28 39		-
Sterling Currency	£26 84	27 12		-
US$ Currency	$37 88	38.28		-
Irish £ Currency	I£15 86	16 03		-
R & H Fund Managers Ltd				
LFM Sterling Fd	[illegible]	[illegible]		-
[illegible] Offshore Fd Ltd	£12.51	13.04		-
[illegible] Offshore Fd	£9 89	10 71		-
[illegible] W/W $US	£11 44	11.84		-

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

WORLD STOCK MARKETS

US MARKETS (3:30 pm)

February 26	US$	+ or -
AAR Corp	12¾	+⅛
AMP Inc	57	+⅛
AMR Corp	59¾	-1⅛
ASA	35⅛xd	-⅛
Abbott Labs	28¾	-⅛
Acme Cleveland	8¼	+⅛
Advanced Micro	21¾	-⅛
Aetna Life	46⅝	+⅛
Affiliated Publ	12⅝	[illegible]
Aflac	35¼	-⅛
Ahmanson (HF)	20⅞	+⅛
Air Prod & Chemical	44	-⅛
Alberto-Culver B	25¼	-⅛
Albertson's	51⅞	+1⅛
Alcan Aluminium	19⅛xd	[illegible]
Alco Standard	41⅜xd	-⅛
Alexander & Alex	26xd	+⅛
Alex & Baldwin	24	+⅛
Allegheny Power	51⅞	-⅛
Allied Signal	65⅜xd	-⅛
Aluminum Co of Am	70¼	-⅛
Amax	18⅝	—
Amdahl Corp	6	—
Amerada Hess	51⅛	-⅛
Amer Brands	34⅝	+⅛
Amer Cyanamid	48xd	-⅛
Amer El Power	35⅝	-⅛
Amer Express	24½	+⅛
Amer Genl Corp	58⅞	-⅛
Amer Greetings A	48xd	-1
Amer Home Pr	60¼	+⅛
Amer International	127⅞	+1
Amer Nat Ins	57	-⅛
Amer Stores	37⅞	+⅛
Amer T & T	55	-⅛
Ameritech	74⅝	-⅛
Ametek Inc	14⅝	—
Amoco	58⅛	+⅛
Analog Devices	18⅝	+⅛
Anheuser-Busch	54⅝	+⅛
Aon Corp	51½	-⅛
Apple Computer	53xd	-1⅛
Archer Daniels	26⅝	+⅛
[illegible]	[illegible]	[illegible]

February 26	US$	+ or -
Curtiss-Wright	37½	-⅛
Cypress Semicond	10⅛	-⅛
Cyprus Minerals	33⅝	-⅛
DSC Commun	26	+⅛
DQE	34¾	+⅛
Dana Corp	46⅝xd	-⅛
Data General	12⅝	-⅛
Dayton Hudson	77¼xd	-1⅞
Deere	52	+⅛
Delmarva Power & L	23¾	+⅛
Delta Air Lines	49¼	-1⅛
Deluxe Corp	45⅝	—
Detroit Edison	36⅝	—
Dial Corp Del	42½	+⅛
Diebold Inc	60⅜	+⅛
Digital Commun	18⅝	-⅛
Digital Equipment	47⅝	-⅛
Dillard Dept St	44⅝	-⅜
Disney (Walt)	44⅝	-⅛
Dole Food Inc	34½xd	+⅛
Dominion Res	42⅝xd	-⅛
Donnelley (RR)&Sons	29¾	—
Dover Corp	47⅛xd	-⅛
Dow Chemicals	54⅝	-⅛
Dow Jones	30	—
Dravo Corp	9¼	+⅛
Dresser	19⅝	-⅛
Dreyfus Corp	36⅝	+⅛
Duke Power	35¼	-⅛
Dun&Bradstreet	57⅝xd	-⅛
Du Pont	48⅝	-⅛
E G & G Corp	22⅝	-⅛
E-Systems	38⅝	+⅛
Eastern Enterprises	25¾	+⅛
Eastman Kodak	54xd	+1
Eaton Corp	79⅞	+⅛
Echlin Inc	24⅝	-⅛
Emerson Electric	57⅛xd	+⅛
Engelhard Corp	43⅝	-1
[illegible]	[illegible]	[illegible]

[illegible]

CANADA (3:30 pm)

[illegible]

JAPAN

[illegible]

INDICES

NEW YORK DOW JONES

[illegible]

STANDARD AND POOR'S

[illegible]

NEW YORK ACTIVE STOCKS

[illegible]

TRADING ACTIVITY

[illegible]

CANADA TORONTO

[illegible]

WORLD STOCK MARKETS

AMERICA

Dow unmoved by New York explosion

Wall Street

AN explosion and fire at New York's World Trade Centre at midday yesterday initially failed to disrupt trading on the New York and American stock exchanges, although the small order execution system was suspended, *writes Karen Zagor in New York.*

At 1pm, the Dow Jones Industrial Average was down 0.27 at 3,364.87. The more broadly-based Standard & Poor's 500 was off 0.32 at 442.02, while the Amex composite was 0.35 higher at 405.78, and the Nasdaq composite rose 2.02 to 669.09. NYSE trading volume was 138m shares by 1pm, and rises outnumbered declines by 899 to 832. On Thursday, the Dow closed up 8.64 at 3,365.14.

Regular Nasdaq trading was uninterrupted at mid-day, but some trading floors were evacuated because of the fire. About 149 Nasdaq terminals were knocked out by the fire and ceiling collapse.

Market sentiment was mixed, in spite of an upward revision of gross domestic product for the fourth quarter to an annual rate of 4.8 per cent, above an earlier estimate of 3.8 per cent.

Among active big board issues, Wal-Mart gained $¼ to $32¾, and Kroger slipped $½ to $16¼. Tobacco stocks remained active, with RJR Nabisco adding $¼ to $8¾ and Philip Morris $⅝ to $66⅝. In the auto sector, General Motors held steady at $37¾, Chrysler rose $⅜ to $39¼ and Ford fell $¼ to $46.

Rollins Environmental dropped $⅞ to $8 after the US brokerage, Alex Brown, cut its rating on the stock from "neutral" to "sell" following the shutdown of the company's Texas incinerator.

Telefonos de Mexico climbed $2¼ to $49⅞ in active trading after Bear Stearns increased its rating to "strong buy" to reflect expectations of continued operating profit growth.

In the big board technology sector, shares in Hewlett-Packard fell $1 to $75 and Digital Equipment fell $¼ to $47⅞ after a new technology analyst at Kemper Securities issued an initial "neutral" rating on the stocks and suggested that investors swap into them from IBM and Amdahl. Shares in International Business Machines rose $½ to $54¼.

The biotechnology bellwether stock, Amgen, was unchanged at $37 in Nasdaq trading. The stock dropped more than $9 on Thursday following disappointing first quarter earnings projections.

Many Nasdaq technology stocks were broadly lower at midday, with Intel off $1 to $117, Seagate Technology down $⅜ to $15⅞, Apple Computer off $1⅞ to $52⅞ and Dell Computer easing $⅜ to $31⅞.

Shares in Buttrey Food & Drug tumbled $1½ to $17 after the company posted fourth quarter operating income of 3 cents a share against 25 cents a year earlier.

Canada

TORONTO turned down at midday in brisk trading, pressured by losses in gold and banking stocks, although renewed interest was noted in small-capitalisation shares and some oil companies.

The TSE-300 index fell 19.1 to 3,440.90 at midday in turnover of C$271m. Advancing issues led those declining by 254 to 238 with 243 unchanged.

Weak gold miners included American Barrick, down C$⅝ at C$21½, and Placer Dome, C$⅝ easier at C$16⅝.

EUROPE

German banks gain on wages settlement

RENEWED speculation that the Bundesbank might ease interest rates next week provided a backdrop to yesterday's activity, *writes Our Markets Staff.*

FRANKFURT accelerated Thursday's uptrend, with specific strength in banks and construction stocks as the DAX index rose 25.44, or 1.5 per cent to 1,684.35, 0.4 per cent higher on a mixed week.

Turnover rose from DM5.4bn to DM7.9bn, Deutsche Bank leading in DM1.35bn with both Dresdner and Commerzbank also making the top ten active stocks list. The sector liked the 3.3 per cent banking wage settlement, well below expectations according to Mr James Hyde of Williams de Broë; constructions saw good results from Bilfinger & Berger, and Strabag.

Banks were led higher by Commerzbank which has shown relative strength in advance of, and now after, its rights issue with a DM8 gain to DM283. Mr Hyde said that the underlying improvements in its costs and income were enough to offset its problematic loan book.

Bilfinger put on DM50 to DM890 in a sector where 3 to 5 per cent gains were the order of the day, as the market was brought to see that the sector, this year at least, seemed recession proof.

But it was a building materials company which really outperformed: Heidelberger Zement closed DM75, or nearly 8 per cent higher at DM1,050. Mr Michael Geiger of NatWest Securities reckons that the company could see a 50 per cent jump in net profits for 1992, with the elimination of losses in the US and the growth of its building additives business in the eastern German refurbishment market.

PARIS closed higher but most of the activity was accounted for by technical trading as turnover rose to a hefty FFr4.7bn. The CAC-40 index closed 39.07 higher at 1,983.71, 2.4 per cent higher on the week.

In the corporate sector, speculation that Pernod Ricard might be a takeover target, possibly for a UK group, pushed the shares up FFr19.50 or 5 per cent to FFr417.00, while Moulinex rose FFr5.10 to FFr100.10 on reports that it might be seeking a partner.

In spite of a US broker's downgrade, Elf rose FFr10.70 to FFr377.40 on firmer oil prices while financials all gained on hopes for lower interest rates with Société Générale moving up FFr21 to FFr645.

MILAN turned its attention to insurance stocks as the cabinet discussed plans for pension funds. Generali fixed L550 higher at L34,960, before rising to L35,550 after hours. RAS added L974 to L24,883 while Alleanza gained L792 or 5.2 per cent to L16,112.

The Comit index rose 6.41 to 513.21 or 2 per cent on the week, refusing to be deflected by the growing political scandal or Moody's decision to put the country's foreign debt rating under review for a possible downgrade.

Montedison dipped L31 to L1,219 with analysts noting that news of the investigation of its former chairman Mr Raul Gardini would have no impact on the company.

Sme gained L273 to L6,261 in response to Thursday's announcement by Iri, the state holding company, of criteria for the food group's flotation.

ZURICH's SMI index rose 38.1, or 1.8 per cent to 2,099.4, down 0.8 per cent on the week. After the bank's 1992 results, UBS bearers rose SFr8 to SFr939 in active trade. Mr Frederick Hasslauer of Swiss Volksbank in Zurich said that while the UBS profits were at the lower end of expectations, the SFr2 a share rise in dividend was a positive move and that investors were relieved that no rights issue had been announced.

The chemicals sector, under heavy pressure early in the week, bounced back on the view that prices had fallen too far. Ciba-Geigy rose SFr10 to SFr635, Roche added SFr100 to SFr3,950 francs, and Sandoz put on SFr50 to SFr2,960.

MADRID rallied in thin volume, the general index rising 4.89, or more than 2 per cent to 232.89 to close slightly down on the week. Ms Anna MacDonald, who heads Spanish research at Baring Securities, said that people had accepted that depreciation of the peseta within the ERM was inevitable, but that they were staying in equities for the lower interest rates which should be the corollary.

STOCKHOLM gained on falling domestic interest rates, the Affärsvärlden General index rising 10.9 to 1,000.1 for a week's gain of 0.8 per cent. Turnover fell back to SKr807m from Thursday's SKr973m.

Astra managed to restore some of the losses made earlier in the week after the market interpreted its results as disappointing. The B shares put on SKr24 to SKr685, still 1.3 per cent lower on the week. Handelsbanken A rose SKr4 to a new year's high of SKr69 while the B's were flat at SKr63.50.

FT-SE Actuaries Share Indices

February 26 — THE EUROPEAN SERIES

Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1131.72	1132.99	1134.82	1137.82	1137.82	1139.35	1139.56	1139.80
FT-SE Eurotrack 200	1186.81	1189.29	1190.01	1194.02	1193.83	1195.48	1194.80	1194.07

	Feb 25	Feb 24	Feb 23	Feb 22	Feb 19
FT-SE Eurotrack 100	1125.08	1116.05	1119.41	1132.76	1136.60
FT-SE Eurotrack 200	1178.13	1172.14	1178.69	1190.84	1191.09

Base value 1000 (26/10/90) Highday: 100 - 1140.22; 200 - 1195.76 Lowday: 100 - 1131.27 200 - 1186.18

SOUTH AFRICA

A FALL in the gold price depressed the index, which lost 30 or 3 per cent to 972, although trading volumes were reported to be low. Industrials declined 6 to 4,487 while the overall index was off 7 at 3,418.

Dutch cyclicals falter as defensives strengthen

The dichotomy remains, writes **Ronald van de Krol**

The dramatic demise of Daf in recent weeks is a disturbing sign of the times for long-suffering cyclical stocks on Amsterdam's stock exchange.

In spite of past predictions that cyclical shares were about to take off, investors continue to focus on defensive stocks such as banks, insurers, publishers and food companies. This leaves chemicals, paper and transport groups languishing on the sidelines, awaiting an often predicted, but frequently postponed resurgence.

For Daf, recovery will come too late. The company, whose shares came to the market at Fl 47 in 1989, collapsed into receivership in early February. A privately-held successor, DAF Trucks, rose out of the ashes yesterday, partly as the result of financial support by the Dutch and Belgian governments, but investors in the "old" Daf were left holding worthless shares.

The bad news surrounding Daf has coincided with tales of woe and reduced profitability at other cyclicals, including Hoogovens, caught in the steel sector's crisis, Fokker, KLM, DSM and Akzo, and the paper and packaging companies, KNP and Bührmann-Tetterode.

Most analysts do not expect cyclicals to start recovering until the second half of 1993, ahead of a economic upswing in Europe in 1994 and 1995. But the rest of the market is expected to post further gains in 1993, even although the mainstays – publishers, banks, insurance companies and food companies – have already enjoyed a good run.

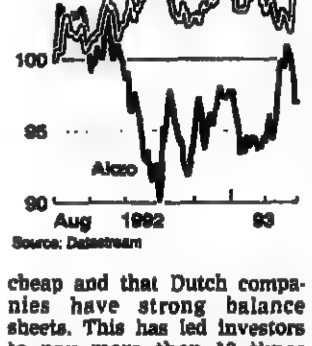
The dichotomy between defensive and cyclical stocks is being heightened by the release of 1992 results, which began in earnest this week. Akzo, which has done better than many of its international competitors, saw its shares fall sharply on Wednesday after unveiling a 3 per cent profit rise and warning that first-half profits might be lower.

Unilever, by contrast, was rewarded for its results with a new 12-month high yesterday of Fl 208.50. Other stocks to hit similar records this week were ABN Amro Bank and ING, the banking and insurance group, which analysts see as a further illustration that financials are not yet overpriced.

"By international standards, Dutch financial stocks are still very cheap and they could well outperform foreign financials," says Mr Dirk de Jong, an analyst at Van Meer James Capel, who forecasts that the equity market will produce a total return of 20 per cent in 1993 compared with some 7 per cent in 1992.

At Kempen & Co, Mr Fokko Tuin comments that quality stocks will continue to benefit from re-rating by foreign investors, who have realised that the market is comparatively cheap and that Dutch companies have strong balance sheets. This has led investors to pay more than 18 times earnings for recession-proof publishers such as Elsevier and Wolters Kluwer.

Share prices relative to the CBS All-Share



Source: Datastream

There is room for further price gains in 1993, he says, but they will be relatively limited. "We see the general share index at somewhere between 210 and 220 points by the end of the year," Mr Tuin says. Since the beginning of the year the index has risen some 6.3 per cent.

The timing of an eventual rise in cyclical shares is one of the most vexing issues facing investors and analysts. Twice during 1992 cyclicals seemed poised for a rally, but the rises later stalled in the absence of substantial interest rate cuts by the Bundesbank and the lack of evidence of economic recovery. Currency devaluations in Britain, Italy and Scandinavia in the autumn presented new problems for cyclicals, which are heavily dependent on European exports. In the end, the 3.5 per cent increase in the general share index in 1992 was carried by the publishers, banks and insurance companies, which both registered gains of more than 20 per cent, helping to overcome a decline of nearly 40 per cent in paper stocks and other cyclical sectors.

Still, analysts say, the importance of cyclicals should not be exaggerated, nor should they obscure the strength of other parts of the market.

Mr de Jong notes that the cyclical companies account for just 10 per cent of the market's equity capitalisation, compared with the 30 per cent share held by manufacturing and cyclical shares in Germany.

Although the cyclical companies may be grabbing the headlines, their relatively small market share means that Dutch listed companies as a whole are forecast to show profit gains in 1993 – analysts' estimates range from 7 per cent to 13 per cent – while Germany's companies could well see flat results. This augurs well for the market, as do expected lower interest rates and a stable dollar.

In the short term, however, attention is focused on 1992 earnings. A climax of sorts will be reached on Thursday, when DSM, which has a big presence in cyclical bulk chemicals, Philips, considered by some analysts to be a cyclical share, and Heineken, a classic defensive stock, all unveil results.

The market has already discounted a halving of DSM's dividend to Fl 4 in 1991. But Mr Tuin of Kempen says: "If the dividend turns out to be Fl 3, I think DSM could fall by 10 per cent."

ASIA PACIFIC

Nikkei makes modest gain on arbitrage

Tokyo

EQUITIES moved in a narrow range ahead of talks between the Group of Seven finance ministers, and the Nikkei average closed marginally higher in quiet trading, *writes Emiko Terazono in Tokyo.*

The Nikkei closed up 45.98 at 16,953.35, fractionally lower on the week, after moving between 16,884.82 and 16,985.55. Share prices were led by futures trading, rising at the close on arbitrage buying.

Volume remained flat at 250m shares against 258m. Gains led losses by 490 to 459 with 188 unchanged, and the Topix index of all first section stocks rose 6.01 to 1,284.21. In London, the ISE/Nikkei 50 index lost 0.34 to 1,033.33.

While some uncertainty remains over the currency markets and direction of the yen after the G7 meeting, traders said that the stock market is likely to remain around 17,000 for another two to three weeks.

Exporting companies, recently hit by the rising yen, gained ground on bargain hunting, while some dealers started to select beneficiaries of the proposed additional emergency fiscal package.

Leading electronics makers firmed. Hitachi rose Y17 to Y691, NEC advanced Y14 to Y638 and TDK rose Y100 to Y3,230. Aids-related stocks, which had been sold on liquidation of margin positions, rebounded on bargain hunting. Green Cross rose Y20 to Y1,170 and Okamoto Industries advanced Y24 to Y1,000.

Showa Shell Sekiyu, the most active issue of the day, fell Y24 to Y801 following Thursday's resignation of the company president, Mr Takeshi Henmi, taking responsibility for its Y125bn foreign exchange losses.

Property companies lost ground on reports of lower profit estimates. Mitsui Fudosan fell Y10 to Y980 and Mitsubishi Estate lost Y1 to Y860.

In Osaka, the OSE average rose 47.72 to 18,105.61 in volume of 70.3m shares.

Roundup

PACIFIC Rim markets generally continued their firm performances.

HONG KONG moved strongly ahead in heavy trading as hopes of a resumption of Sino-British talks on the colony's future brought strong demand from foreign investors.

The Hang Seng index rose 148.11 – 2.4 per cent higher on the day and 2.9 per cent on the week – to 6,351.99 in turnover that rose to HK$4.57bn.

HSBC Holdings, HK$1.5 higher at HK$65, and Hang Seng Bank, HK$2 ahead at HK$63, which will be among the first companies to announce annual results next month, led the active list.

TAIWAN was also a strong performer as investors gave a broad welcome to the new cabinet and the market rose 2.9 per cent to a seven-month high. The weighted index added 121.75 to 4,278.63 or 9.3 per cent on the week in turnover of T$68.5bn, the heaviest since May 1991.

Financial shares were actively sought on the view that the new finance minister Lin Chen-kuo would resist efforts to resume privatisations in the banking sector.

AUSTRALIA was revived after a quiet start by the expiry of almost 52m options, which helped the All Ordinaries index to pick up from an early decline to close 2.7 higher at 1,609.6, 0.9 per cent higher on the week.

Among issues in which options were exercised, News Corp and TNT each closed 1 cent lower at A$7.46 and 73 cents respectively, while Fletcher Challenge rose 2 cents to A$1.82.

SINGAPORE retreated after three record sessions as investors awaited details of the budget which came after the market closed. The Straits Times Industrial index fell 16.46 to 1,664.50, 1.5 per cent higher on the week.

Inchcape, which announced on Thursday that it was selling its timber business, fell 85 cents to S$6.25 in volume of 1.96m shares.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co. and NatWest Securities Limited in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS — Figures in parentheses show number of lines of stock	THURSDAY FEBRUARY 25 1993: US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	WEDNESDAY FEBRUARY 24 1993: US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX: 1992/93 High	1992/93 Low	Year ago (approx)
Australia (68)	130.48	-0.4	135.28	96.91	110.88	125.10	+0.0	3.93	130.97	135.12	96.74	110.27	125.05	153.68	108.18	146.32
Austria (18)	145.99	-0.7	151.36	108.44	124.06	123.89	+0.0	1.31	147.07	151.74	108.84	123.83	123.63	186.70	131.16	180.88
Belgium (42)	141.82	-0.8	147.04	105.33	120.52	117.69	+0.0	5.13	142.91	147.46	105.55	120.33	117.71	152.27	131.19	140.39
Canada (113)	119.92	+0.3	124.34	89.07	101.90	106.81	-0.5	3.03	119.61	123.40	88.34	100.70	109.39	142.12	111.36	136.10
Denmark (33)	202.92	-1.6	210.38	150.72	172.43	173.04	-0.7	1.47	206.25	212.79	152.34	173.66	174.27	273.94	181.70	246.00
Finland (23)	70.67	+1.3	73.27	52.49	60.06	87.88	+1.5	1.90	69.73	71.95	51.51	58.72	86.67	89.80	52.84	85.82
France (98)	155.54	-1.4	161.26	115.52	132.16	135.41	-0.4	3.31	157.81	162.81	116.55	132.86	135.96	168.75	136.93	155.71
Germany (62)	111.51	-0.1	115.61	82.83	94.75	94.75	+0.8	2.41	111.60	115.15	82.44	93.97	93.97	129.89	101.59	120.15
Hong Kong (55)	250.48	+0.5	259.67	186.03	212.84	248.65	+0.5	3.64	249.24	257.16	184.09	209.86	247.40	262.28	176.36	209.05
Ireland (16)	134.96	+0.0	139.93	100.24	114.68	128.19	+1.0	4.14	135.03	139.31	99.74	113.69	126.97	173.71	122.98	162.71
Italy (75)	60.04	+2.6	62.25	44.59	51.02	70.71	+1.6	2.93	58.49	60.35	43.20	49.25	69.66	80.88	47.47	76.08
Japan (472)	109.12	-0.3	113.13	81.04	92.74	81.04	+0.3	1.03	109.41	112.88	80.81	92.13	80.81	140.95	87.27	118.05
Malaysia (69)	275.06	+0.3	285.17	204.29	233.73	278.55	+0.5	2.40	274.13	282.82	202.47	230.80	277.29	282.42	212.49	243.46
Mexico (18)	1424.49	-1.7	1476.87	1058.02	1210.49	4818.00	-1.6	1.25	1448.60	1494.56	1069.97	1219.68	4896.76	1789.77	1185.84	1733.70
Netherland (25)	159.83	-0.5	165.70	118.71	135.82	134.08	+0.3	4.26	160.61	165.71	118.63	135.23	133.67	152.70	147.86	151.15
New Zealand (13)	44.75	-1.0	46.39	33.24	38.02	45.39	-0.7	4.82	45.18	46.62	33.38	38.05	45.09	40.52	37.38	46.48
Norway (22)	139.63	-0.7	144.76	103.71	118.66	132.09	+0.0	1.94	140.59	145.05	103.85	118.38	132.10	192.95	128.05	163.21
Singapore (38)	224.56	+0.3	232.81	166.79	190.82	169.87	+0.4	1.94	223.79	230.89	165.30	188.42	169.13	229.63	179.65	212.97
South Africa (60)	167.34	+0.2	173.50	124.29	142.20	165.76	-0.3	3.04	167.05	172.35	123.38	140.66	166.24	263.60	134.21	215.97
Spain (46)	122.54	-1.1	127.04	91.02	104.13	109.26	-0.2	5.58	123.89	127.62	91.51	104.31	109.48	161.72	107.10	158.16
Sweden (36)	156.17	+1.0	161.91	116.00	132.71	181.43	+1.1	2.24	154.59	159.59	114.19	130.17	179.42	200.26	149.69	176.63
Switzerland (56)	109.14	-1.5	113.16	81.07	92.76	102.66	-0.3	2.09	110.82	114.33	81.86	93.32	102.95	122.37	95.99	98.80
United Kingdom (226)	163.23	-0.1	169.23	121.22	138.69	169.23	+0.4	4.35	163.41	168.59	120.69	137.57	168.59	200.07	161.86	179.40
USA (522)	180.65	+0.4	187.29	134.18	153.52	180.65	+0.4	2.80	179.95	185.66	132.92	151.52	179.95	183.74	160.92	169.02
Europe (778)	136.34	-0.3	141.35	101.26	115.86	129.91	+0.3	3.61	136.80	141.14	101.05	115.19	129.51	158.68	131.31	146.51
Nordic (114)	146.48	+0.3	151.88	108.80	124.47	147.59	+0.6	1.86	146.11	150.74	107.92	123.02	146.70	186.52	141.24	173.76
Pacific Basin (715)	114.56	-0.2	118.77	85.09	97.36	87.53	+0.3	1.36	114.81	118.45	84.80	96.67	87.28	141.97	93.70	121.70
Euro-Pacific (1493)	123.35	-0.3	127.89	91.61	104.81	104.31	+0.3	2.37	123.69	127.61	91.35	104.14	104.00	145.21	113.80	131.89
North America (635)	176.88	+0.4	183.38	131.39	150.33	175.78	+0.4	2.81	175.30	181.70	130.16	148.36	175.16	179.56	158.70	166.93
Europe Ex. UK (552)	119.28	-0.5	123.67	88.61	101.39	107.96	+0.3	3.11	119.86	123.68	88.56	100.95	107.70	132.98	111.33	128.38
Pacific Ex. Japan (243)	167.92	+0.1	174.10	124.74	142.71	155.06	+0.3	3.46	167.74	173.06	123.91	141.25	154.63	175.31	146.06	157.72
World Ex. US (1684)	124.49	-0.3	129.07	92.47	105.79	106.30	+0.2	2.39	124.82	128.78	92.20	105.10	106.04	146.91	115.99	135.98
World Ex. UK (1980)	140.46	+0.0	145.63	104.33	119.37	135.10	+0.3	2.37	140.43	144.85	103.73	118.25	124.82	150.58	127.21	141.50
World Ex. So. Af. (2146)	142.39	+0.0	147.60	105.77	121.01	128.72	+0.3	2.56	142.38	146.89	105.17	119.89	128.33	153.05	130.04	144.95
World Ex. Japan (1734)	161.43	+0.1	167.36	119.91	137.20	157.25	+0.3	3.10	161.25	166.37	119.11	135.70	156.77	165.40	151.93	160.28
The World Index (2206)	142.46	+0.0	147.70	105.81	121.07	129.08	+0.3	2.57	142.44	146.96	105.22	119.94	128.69	153.70	130.66	144.79

Latest prices were unavailable for this edition.

LONDON SHARE SERVICE

BRITISH FUNDS

Notes	Price £	+ or -	1992/93 high	1992/93 low	Yield Int.	Yield Red.
[illegible]						

BRITISH FUNDS - Cont.

Notes	Price £	+ or -	1992/93 high	1992/93 low	Yield Int.	Yield Red.
[illegible]						

BRITISH FUNDS - Cont.

Index-Linked

Notes	Price £	+ or -	1992/93 high	1992/93 low	Yield (1)	Yield (2)
[illegible]						

OTHER FIXED INTEREST

Notes	Price £	+ or -	1992/93 high	1992/93 low	Yield Int.	Yield Red.
[illegible]						

Continued on next page

NOTICE TO HOLDERS OF UNITS IN DAEHAN INTERNATIONAL INVESTMENT TRUST

NOTICE IS HEREBY GIVEN that the 1st distribution of the subject Trust is to be made on and after February 27 1993. Record date for this payment was Dec. 31, 1992.

Value of the distribution is Korean Won 202 per unit which will be paid in U.S. dollars at the current dollar selling rate quoted by a foreign exchange bank in Korea on the day that remittance of dividends is made. Distribution are subject to Korean withholding tax at 26.875 per cent. Residents of countries having a tax treaty with Korea may, upon presentation of a valid affidavit, in duplicate, receive the distribution at the reduced withholding tax rates.

This valid affidavit required by the Korean Tax authorities must take the form of a copy of a passport, I.D. Card, Certificate of Incorporation, or Certificate of residence issued by Federal or Local Government.

27th February, 1993

Daehan Investment Trust Co., Ltd
Manager

Citibank N.A. Seoul
Paying Agent

LONDON SHARE SERVICE

AMERICANS

CANADIANS

BANKS

BREWERS & DISTILLERS

BUILDING MATERIALS

BUILDING MATERIALS - Cont.

BUSINESS SERVICES

CHEMICALS

CONGLOMERATES

CONTRACTING & CONSTRUCTION

ELECTRICALS

ELECTRICITY

ELECTRONICS

ENGINEERING-AEROSPACE

ENGINEERING-GENERAL

ENGINEERING-GENERAL - Cont.

FOOD MANUFACTURING

FOOD RETAILING

HEALTH & HOUSEHOLD

HOTELS & LEISURE

HOTELS & LEISURE - Cont.

INSURANCE BROKERS

INSURANCE COMPOSITE

INSURANCE LIFE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

[illegible]

INVESTMENT COMPANIES

[illegible]

MEDIA

[illegible]

MERCHANT BANKS

[illegible]

METALS & METAL FORMING

[illegible]

MISCELLANEOUS

[illegible]

MOTORS

[illegible]

OIL & GAS

[illegible]

OIL & GAS - Cont.

[illegible]

OTHER FINANCIAL

[illegible]

OTHER INDUSTRIALS

[illegible]

PACKAGING, PAPER & PRINTING

[illegible]

PACKAGING, PAPER & PRINTING - Cont.

[illegible]

PROPERTY

[illegible]

STORES

[illegible]

TELEPHONE NETWORKS

[illegible]

TEXTILES

[illegible]

TRANSPORT

[illegible]

WATER

[illegible]

SOUTH AFRICANS

[illegible]

PLANTATIONS

[illegible]

MINES

[illegible]

MINES - Cont.

[illegible]

GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ).
- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♦ Figures or report awaited
- ♦ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ Free annual/interim report available, see details below.
- ♠ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Not officially UK listed; dealings permitted under Rule 535(2)
- € Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ↑ Merger bid or reorganisation in progress
- § Forecast dividend yield, p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend. b Figures based on prospectus or other official estimates. c Cents. f Flat yield. g Assumed dividend yield after rights issue. h Assumed dividend yield after scrip issue. n Rights issue pending. q Earnings based on preliminary figures. s Dividend yield excludes a special payment. t Indicated dividend yield, p/e ratio based on latest annual earnings. u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings. v Not subject to ACT. z Dividend yield includes a special payment. E Auction basis. F Yield based on prospectus or other official estimates for 1994-95. G Assumed yield after pending scrip and/or rights issue. H Yield based on prospectus or other official estimates for 1993. K Yield based on prospectus or other official estimates for 1992-93. L Estimated annualised yield, p/e based on latest annual earnings. M Yield based on prospectus or other official estimates for 1993-94. N Yield based on prospectus or other official estimates for 1992. P Figures based on prospectus or other official estimates for 1994. R Forecast annualised yield, p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend yield to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xi ex capital distribution.

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FINANCIAL TIMES
Weekend February 27/February 28 1993

Stricken syndicate sees debt estimates rise sharply in recent months

Lloyd's Names face £200m loss

By Richard Lapper

ABOUT 1,000 Names, including the actress Ms Susan Hampshire, face possible losses between them of up to £200m in one of the biggest syndicate collapses at the troubled Lloyd's insurance market.

The Names, individuals whose assets support underwriting at Lloyd's, are members of syndicate 475, whose underwriter, Mr Roy Bromley, committed suicide last month.

Syndicate 475 specialised in "spiral" reinsurance – in which syndicates and companies insure each other's exposures to high level catastrophe loss.

Although relatively small with a capacity, or capital base, of £25m in 1989, its losses are proportionally worse than the better known "spiral" syndicates such as those managed by the Gooda Walker and Feltrim agencies.

Its losses are far worse than agents feared two months ago when Names were told to expect a deficit of about £50m.

Overall Lloyd's losses are expected to amount to about £5bn over the past five years. Despite recent management changes, the market is weighed down by its past losses and growing legal actions between Names and their agents.

Mr Trevor Bradley, managing director of Knightstone Group, which took over management of the syndicate last October, said that 1989 losses could amount to between £74.8m and £175.7m, with Names losing a maximum of £70,000 for every £10,000 traded on the syndicate.

Further losses of between £18m and £32.6m are forecast for 1990, when Names stand to lose up to £13,000 for every £10,000 traded.

"It is a very sad affair," said Mr Bradley, who predicted losses would fall midway between best and worst case estimates. The syndicate's own reinsurance was insufficient to cover losses stemming from hurricane Hugo in 1989, the European storms of 1990 and a string of other losses.

Mr Bradley said that claims would continue to affect the syndicate for many years. Names would be asked to pay only £21.3m of the 1989 loss this year, following a request for about £12m last year.

Mr Bromley lost his job as underwriter in May 1991 and had become dispirited about the way the syndicate's losses had mounted.

"Things were going badly for him. There is no doubt he was very distressed about the way things were going," said Dr Paul Knapman, the coroner, at his inquest last week.

Mr Bromley's son, Nicholas, told the inquest: "He was calm on the surface, but underneath it there was a degree of panic and fear."

Former Montedison chiefs drawn into corruption probe

By Robert Graham in Rome

Italy's business elite was dealt a further blow by the announcement yesterday that Mr Raul Gardini, the high profile former head of Ferruzzi-Montedison, was under investigation by Milan magistrates.

Mr Gardini is being investigated for his role in the controversial reorganisation of Italy's chemicals industry at the end of the 1980s, when the main chemical interests of ENI, the state oil concern, were pooled with Montedison, the chemicals arm of the Ferruzzi group.

Mr Sergio Cragnotti, the financier and president of Lazio football club who was a former managing director of Montedison, was also told yesterday that he was under investigation. This means that all the key business participants in the restructuring are being investigated for alleged irregularities in the deal.

No politicians have been implicated; but the investigation was this week switched from Rome to Milan where inquiries are related to the alleged involvement of politicians.

It also emerged yesterday that the magistrates' enquiries include the establishment of Enimont in 1989. Previously the enquiry focused solely on the purchase price of lire 2,805bn paid by ENI for Ferruzzi's 40 per cent stake in Enimont in 1990.

Mr Raul Gardini, former head of the Ferruzzi-Montedison group

News that Mr Gardini and Mr Cragnotti were under investigation followed a week in which several prominent figures in the business world had been caught up by the fast moving scandals.

Those arrested on charges of alleged illicit financing of political parties included Mr Francesco Paolo Mattioli, Fiat's chief financial officer, and Mr Giampiero Pesenti, the owner of Italy's biggest cement company.

Yesterday Mr Mattioli was still being detained in a Milan prison amid strong protests from his lawyers of the improper use of preventive detention.

The uncertainties created by the developments in the corruption investigations continued to weaken the lira. The Bank of Italy is believed to have sold D-Marks yesterday for the third time this week. The bank and the treasury took the unprecedented step of issuing a sharp joint statement rebutting Moody's announcement on Thursday which placed the Aa3 foreign currency debt rating of Italy under review for a possible downgrade.

The Enimont enquiry already involves Mr Gabriele Cagliari, the current head of ENI, and Mr Lorenzo Necci, the first president of Enimont and now head of Italian railways, FS. Mr Gardini was the main promoter of the deal on the Ferruzzi side and Mr Cragnotti took over as Enimont head when Mr Necci left in 1990. Magistrates are also anxious to interview Mr Giuseppe Garofano, a long-time director of Montedison who assumed the executive management of the Ferruzzi group when Mr Gardini split with the Ravenna-based group in 1991.

US growth hits 4.8% in fourth quarter

By Michael Prowse in Washington

THE US economy expanded at an annual rate of 4.8 per cent in the fourth quarter of 1992, the fastest pace since the end of 1987, revised Commerce Department figures indicated yesterday.

The new figures, which represent an upward revision of 1 percentage point on the initial estimates a month ago, indicate the economy was growing robustly during the closing stages of last year's election campaign when former President George Bush was widely condemned for failing to revive the economy.

Few forecasters expect the fourth-quarter growth rate to be sustained in the early months of 1993, mainly because consumption ran ahead of incomes and because US exports are expected to be hit by the slowdown in Europe and Japan. But most are confident that the US is now set for several years of annual growth of about 3 per cent.

The recent fall in long bond yields to below 7 per cent is expected to lead to further increases in business investment which grew at an annual rate of nearly 10 per cent in the fourth quarter.

Other figures yesterday were mildly disappointing. An index of consumer confidence compiled by the University of Michigan fell slightly this month partly because of adverse reaction to higher taxes announced in President Bill Clinton's economic address last week. A survey of Chicago purchasing managers also showed a slight decline.

The very strong GDP figures, however, may strengthen the hand of conservative Democrats and Republicans in Congress who are arguing that Mr Clinton's $30bn (£21bn) short-term stimulus package of infrastructure spending and investment incentives is no longer needed.

Critics argue that Mr Clinton should press ahead more quickly with spending cuts needed to bring down the budget deficit.

The administration, however, continues to emphasise the slow rate of job creation and the relatively high unemployment rate.

The fourth-quarter expansion followed growth at an annual rate of 3.4 per cent in the third quarter. It was the seventh successive quarter of growth following the official end of the recession in the spring of 1991.

Revisions to net exports accounted for about half of the upward revision to fourth-quarter growth, according to Mr Jim O'Sullivan, an economist at J P Morgan. Real exports grew at an annual rate of 9.8 per cent relative to the third quarter, against 3.7 per cent in initial estimates.

OFT investigates office equipment deals

Continued from Page 1

welcome an OFT investigation of the sector. Last year, the OFT decided against revoking licences from Eurocopy, the office equipment supplier, following assurances about some of its business practices. Mr Cyril Gay, chairman of Eurocopy, last night welcomed the inquiry.

Sir Bryan said complaints to the OFT suggested numerous cases of "misrepresentation and sharp practice", most noticeably involving photocopying leases. Initial OFT inquiries, he added, "tend to confirm this view".

The Campaign to Clean Up Copier Contracts, which has logged more than 3,000 complaints from photocopier customers and has pressed for OFT intervention, said the decision was a breakthrough.

A campaign spokesman said it would "bring hope to the 250,000 cost-per-copy customers who have been caused increasing misery and distress by leasing companies enforcing contracts signed under false pretences".

The campaign has submitted to the OFT a dossier of complaints, involving more than 50 photocopier dealers and leasing companies. Some of them are owned by large, London-based financial institutions.

Wilkinson Sword in likely US sale

Continued from Page 1

shares, while most of Wilkinson's sales are in Germany and Britain. Schick is also the leading supplier in Japan, the only country where it is ahead of Gillette.

A deal would mark the fifth change of ownership since 1980 for Wilkinson Sword, which Eemland acquired from Stora, the Swedish forest products group, in a heavily leveraged buy-out five years ago. Eemland's main shareholders include a group of Scandinavian banks and insurance companies, JP Morgan, the US bank, and Gillette. Wilkinson was put up for sale in October, partly because the Scandinavian shareholders were not prepared to inject further capital.

In addition, Gillette has been ordered by the European Commission and anti-trust authorities in the UK and several other countries to end its involvement in Eemland on the grounds that it is anti-competitive.

Gillette has a 22 per cent non-voting stake in the consortium and has extended it a loan worth more than $100m on onerous terms and at an exceptionally high rate of interest. Eemland's debt is believed to total several hundred million dollars.

Eemland's shareholders have agreed to sell Wilkinson with a debt-free balance sheet and share its financial liabilities between them. The planned deal with Warner-Lambert is expected to leave some shareholders with a loss on their investment.

Wilkinson had operating profits of DM46.8m (£19.8m) on sales of DM316.3m in 1991. Its financial performance is understood to have deteriorated sharply since then, partly because of heavy marketing to support a razor system launched last spring.

Wilkinson sells its products in the European Community and has a small loss-making business in the US. Gillette has also agreed, under pressure from anti-trust authorities, to hand back rights to the Wilkinson brand in central and eastern Europe. However, Gillette, which acquired these rights at the time of the Eemland buy-out, will continue to use the Wilkinson name in other parts of the world.

THE LEX COLUMN

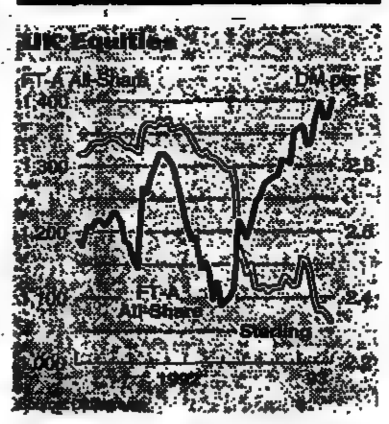
Forgotten rights

Yesterday's smart rise in UK equities ends two weeks of torpor during which the market was caught between fear of rights issues, hopes for recovery and the dwindling return on cash. With ICI's £1.3bn cash call now postponed until June, investors have evidently tired of shadow-boxing on the first point. But that does not leave much headroom from here. Yesterday's rise was led by the big overseas earners rather than domestic recovery stocks. Results from the likes of NatWest this week showed scant evidence of an upturn. Besides, ICI will not be the last to announce a rights issue before the reporting season is over.

With around £2bn in rights issues and £5bn soaked up by gilts issues this year, institutional liquidity is already starting to look stretched. The £500m net inflow into unit trusts during January was encouraging, but only a portion will flow into UK equities. Besides, the ICI rights issue alone will account for perhaps three months' inflows at that rate of progress. When the government starts funding in earnest in the spring, competition for savings can only increase.

The strength of blue-chip stocks could be a sign of renewed overseas interest. That would relieve the pressure on domestic cash. Having seen sterling bounce from an all-time low against the D-Mark this week, foreigners may be tempted to see the UK currency as a safe bet. The mood of continental stock and bond markets suggests some optimism that the Bundesbank will cut interest rates. If that was combined with nascent economic recovery at home, sterling would certainly benefit. The worry is that waiting has proved thankless in the past.

FT-SE Index: 2868.0 (+39.3)



Severn Trent

It comes as no surprise that Severn Trent is the first privatised water company to buy one of its smaller statutory neighbours. Having blazed the trail in waste management with the acquisition of Biffa, there is clearly no shortage of ambition. The £33m acquisition of East Worcester is only a drop in the ocean of Severn Trent's core water business. Even so, shareholders mindful of Biffa's dismal performance might take comfort that, in this case, Severn Trent should know exactly what it is buying.

The deal sets something of a precedent for other privatised water companies. The regulator is evidently happy so long as benefits flow to customers in the form of lower charges. That will be taken as a green light by the rest of the industry. Even so, it is difficult to envisage a takeover binge.

Giving East Worcester access to Severn Trent's network is a neat solution to an otherwise expensive supply problem. Cost savings in other cases will be more difficult to find. Acquisitions valued over £30m in terms of net assets – East Worcester is worth £16m on this basis – face an automatic monopolies investigation. That alone may be enough to discourage Severn Trent from bidding for the larger quoted South Staffordshire.

Investment Trusts

Buyers of investment trust shares have often worried about the industry's unhealthy cosiness. Although, in theory, there are clear divisions of responsibility between directors and managers, such distinctions have often become blurred. Conflicts of interest result. Directors should act solely in the best interests of shareholders and replace poorly-performing managers. But this is difficult when directors and managers are the same. Trickier still when the trust is named after the management group which happens to be a big shareholder.

To its credit, the industry is trying to address the problem. In the wake of the Cadbury Committee report on corporate governance, the Association of Investment Trust Companies has published guidelines on best practice. These suggest a trust's board should have a majority of independent directors. It is also desirable for the chairman to be independent.

Many older investment trusts already have well-developed checks and balances. The main worry concerns the host of new investment trusts which have sprung up in recent years. In its annual study of the sector, NatWest Securities worryingly finds that almost half the directors on the boards of the 117 investment trusts launched since 1986 are closely linked with management groups. It argues that the AITC's recommendations do not go far enough, suggesting there should be no managers on the board at all – apart, perhaps, from the managing director.

However, the ultimate sanction will always remain with shareholders. Either they shun those trusts failing to comply with best practice, or they replace the directors.

Airtours/Owners Abroad

With the quibbles of the Office of Fair Trading brushed aside by Mr Michael Heseltine, the combatants in the package tour market have returned to battling each other. Owners is certainly making a spirited fight of it. The company has now promised a 43 per cent increase in this year's dividend and outlined increased benefits from its preferred alliance with Thomas Cook. This firmly lobs the beach ball back into Airtours' court.

The market suggests Airtours will have to increase its offer. Airtours wants a quick resolution to ensure it benefits fully from Owners' summer holiday profits. Its cause would be greatly helped by a recommendation for any increased offer. But given Owners' fierce criticism of an enlarged Airtours' future prospects, it is unlikely to win approval for a largely paper offer. Airtours has more reason than ever, therefore, to increase the cash alternative.

British Airways

The protracted negotiation between British Airways and Virgin suggests the lawyers are also anxious for their pound of flesh. But BA's shareholders deserve a convincing answer as to why their money is being given to an arch-rival. Some of the payment may relate to the resolution of a relatively innocuous dispute over a maintenance contract. The rest will represent compensation for the commercial damage caused by BA's "dirty tricks" campaign. BA has insisted that these actions were regrettable but minor. If so, why is the compensation likely to run into millions?

CHIEF PRICE CHANGES YESTERDAY

FRANKFURT (DM)			
Rises			
Asko	804	+	24
Bil & Berger	990	+	60
Heidelb Zem	1050	+	75
Hertie	311	+	11
Holzmann Ph	985	+	40
Falls			
Lahmeyer	645	–	19
New York ($)			
Rises			
RJR Nabisco	8⅝	+	¼
Teledyne	49⅞	+	2¼
Wal-Mart	32⅜	+	16¼
Falls			
Safeway Food	17	–	1½
Kroger	16⅛	–	½
Rollins	6	–	⅞
New York prices at 12.30pm			
Paris (FFr)			
Rises			
Cred Lyon (CI)	519	+	16
Cr Nationale	1302	+	52
Pernod Ricard	417	+	19.5
Printemps Prin	700	+	25
Soc Gen de Fr	645	+	21
Falls			
Fonc Lyonnaise	610	–	15
Tokyo (Yen)			
Rises			
Hitachi	691	+	17
NEC	638	+	14
Oki Electric	394	+	30
Falls			
Macross	320	–	34
Nitto Kako	288	–	26
Showa Shell	881	–	24
London (Pence)			
Rises			
Aberdeen Pet	18½	+	2½
Alumasc	460	+	22
Avesco	63	+	12½
Billam (J)	191	+	14
Glaxo	667	+	22
Holt (J)	2775	+	175
ICI	1208	+	55½
INSTEM	105	+	13
Peel Hldgs	153	+	7
Pizza Express	77	+	8
Polar	140	+	15
Ranco Oil	148	+	6
Ranger Oil	368	+	23
Rolls & Nolan	252	+	14
Royal Ins	295	+	11
Utd Biscuits	379	+	12
Westland	180	+	9
Falls			
Birse	19½	–	3½
Cakebread R	55	–	10
Gabicci	37	–	8
High-Point	17	–	6
INOCO	10½	–	2
P-E Intl	68	–	6
Stud Platinum	46	–	4

World Weather

UK Today: Cold with sunny spells and some wintry showers over Wales, western England and west Scotland. Elsewhere, there will be frequent wintry showers, with drifting on high ground, and very strong winds.

		°C	°F
Ajaccio	S	10	50
Algiers	S	11	52
Amsterdam	R	3	37
Athens	S	11	52
Bahrain	S	19	66
Barcelona	S	11	52
Beijing	S	7	45
Belfast	R	4	39
Belgrade	C	-2	28
Berlin	S	1	34
Biarritz	F	8	46
Birmingham	S	5	41
Blackpool	F	5	41
Bombay	S	28	82
Bordeaux	C	7	45
Boulogne	C	6	43
Bristol	C	7	45
Brussels	R	[illegible]	39
Budapest	F	2	36
Buenos Aires		–	–
Cairo	F	21	70
Cape Town	S	25	77
Cardiff	R	6	43
Chicago †	C	-5	23
Cologne	F	4	39
Copenhagen	F	2	36
Corfu	C	6	43
Dallas †	C	0	32
Dublin	C	3	37
Dubrovnik	F	6	43
Edinburgh	C	4	39
Faro	S	17	63
Florence	S	9	48
Frankfurt	C	0	32
Geneva	S	1	34
Gibraltar	S	14	57
Glasgow	F	5	41
Guernsey	F	6	43
Helsinki	S	-3	27
Hong Kong	F	19	66
Innsbruck	S	1	34
Inverness	R	4	39
Isle of Man	R	6	43
Istanbul	F	2	36
Jersey	F	7	45
Johannesburg	F	23	73
Las Palmas	F	19	66
Leeds	F	5	41
Lisbon	C	13	55
Locarno	S	7	45
London	R	4	39
Los Angeles †	R	10	50
Luxembourg	Fg	-1	30
Madeira	C	17	63
Madrid	F	15	59
Majorca	S	17	62
Malaga	S	15	59
Malta	F	17	62
Manchester	F	5	41
Melbourne	C	21	70
Mexico City		–	–
Miami †	S	21	70
Milan	S	8	46
Montreal †	F	-19	-2
Moscow	Sn	-6	21
Munich	F	2	36
Nairobi		–	–
Naples	S	9	48
Nassau		–	–
Newcastle	C	4	39
New Delhi	R	18	64
New York †	F	-6	21
Nice	S	11	52
Nicosia	C	16	61
Oporto	F	12	54
Oslo	Sn	1	34
Paris	R	3	37
Perth	S	28	82
Prague	F	-1	30
Reykjavik	C	3	37
Rhodes	F	13	55
Rio de Janeiro		–	–
Rome	S	10	50
Salzburg	F	1	34
S'Francisco †	R	8	46
Seoul	S	3	37
Singapore	F	31	88
Stockholm	C	-1	30
Strasbourg	S	4	39
Sydney	S	31	88
Tangier	F	14	57
Tel Aviv	Dr	19	66
Tenerife	S	20	68
Tokyo	S	11	52
Toronto †	S	-16	3
Tunis	F	12	54
Valencia	S	11	52
Vancouver †	S	-2	28
Venice	S	8	46
Vienna	S	1	34
Warsaw	S	-6	21
Washington †	Sn	-4	25
Wellington	S	20	68
Zurich	S	[illegible]	32

Temperatures at midday yesterday † Noon GMT temperatures C–Cloudy Dr–Drizzle F–Fair Fg–Fog H–Hail R–Rain S–Sunny Sl–Sleet Sn–Snow T–Thunder

Weekend FT

SECTION II

Weekend February 27/February 28 1993

When honesty means sharing your bribes

*Corruption investigations are threatening to unravel the Italian state. A former official tells **Robert Graham** how the system worked*

CORRUPTION in Italy has gone beyond the bounds of decency. So vast is the scale of rottenness now being uncovered that a whole ruling class risks being indicted. Already, the courts are being overloaded with the weight of investigation and the prosecutions have scarcely begun. For the first time, a democracy is having to confront the uncomfortable question: if the system is corrupt, to what extent should individual guilt be pursued?

Roberto Mongini has had time to reflect on the question. This 46-year-old Milanese lawyer, and one-time rising star in the Christian Democrat Party, was arrested last June and spent 17 days inside the bleak walls of Milan's San Vittorio prison. He was released after confessing to exploiting his position as vice-president of the Milan Airports Authority to collect illicit funds for the party, and went immediately on a pilgrimage to Lourdes to come to terms with his fall from grace.

Mongini claims to be at peace with himself now although he has lost his seat on the party's national executive and his political career is over. With the compulsiveness of a convert to honest government, he admits collecting nearly L900m (£410,000) in bribes – a sum he considers small by the standards of what was going around him. "I willingly accepted to be part of the system and therefore cannot regard myself as a victim," he says. "At a personal level, I don't consider myself a criminal. Indeed, I consider myself personally honest; nevertheless, I admit I formed part of a dishonest system."

This ambivalent moral credo seems to have been shared by a great many others who either turned a blind eye to corruption or connived in creaming "commissions" off the top of every type of economic activity. The magistrates' investigations range from road-building and ports to the Milan and Rome metros and the space agency, football stadiums and overseas aid to restructuring the chemicals industry. No European democracy has ever witnessed corruption investigated on such an all-embracing scale. Questions are being asked about the ability of the courts to cope with the case-load.

"We are not confronted with isolated instances of corruption: the entire system was like that, from Milan to Sicily," says Mongini. "Wherever you look, you will find illicit financing, it was the Italian way of doing things."

Antonio Di Pietro, the leading Milan investigative magistrate, says of the snowballing investigation: "I don't see how it can finish. In just one day, 14 or 15 persons came wanting to confess stories of bribery to me. We can't go on like this." He adds: "We will proceed with the penal side . . . but some sort of political clarification is necessary which goes over and above the magistrature – otherwise, there is the daily risk of something happening with serious impact on the economic system . . . Besides, the judiciary cannot be expected to uncover everything."

The construction and general contracting business – the sector exposed most to the magistrates' enquiries – is slowing to a halt throughout Italy because businessmen fear being accused of bribery. The entire political establishment and its long-standing incestuous relationship with the business community is being called into question.

'The reception centre at San Vittorio prison has become like the foyer at La Scala – where you see anyone and everyone'

Magistrates have talked of having to put 60,000 people through the courts if everybody involved in corruption is charged. More than 50 members of parliament are being investigated for corruption and two party leaders,Bettino Craxi of the Socialists and Giorgio La Malfa of the Republicans, have been forced to step down in the past two weeks. More than 400 witnesses will probably be called in the scrutiny of road contracts alone. One Milan magistrates has suggested that the city's corruption scandal – over 110 people have been arrested and more than 300 questioned – will provide the local judicial system with work for the next decade.

As the complete gamut of Italy's institutions – and the people who run them – are dragged into the magistrates' net, the country's democracy risks being weakened. A number of politicians, including Craxi have made this point. However, it is difficult for the politicians to take action without being seen as self-serving.

When Milan magistrates began to expose corruption with a series of arrests a year ago, the reaction in the press was surprise: surprise not that such wrong-doing existed but that it had come to light. The Milanese even took a perverse pleasure in saying the exposé was possible precisely because the city had a morality; Naples they argue could never have been the starting place for a nationwide anti-corruption drive.

Now the public is both angry and taken aback by the systematic scale of the corruption. "Corruption has always existed," veteran television commentator Vittorio Orefice said recently. "Like prostitution, it's destined to eternity. It's a question of containing corruption within the bounds of decency. We have descended to the level of Cambodia."

According to Mongini the "system" being exposed dates back to the 1970s. Then the Christian Democrats and their allies were terrified that the powerful Italian Communist Party would come to power through the ballot box. Knowing that the Communists received secret funding from the Soviet bloc, they felt no compunction in seeking their own finance to supplement the small contributions by the state. The Christian Democrats, and then the smaller Socialist Party, rationalised their large organisational infrastructure (including tame newspapers and trades unions) by the need to counter the Communists' presence in the unions, the media and co-operative movement.

The "system" centred round the placement of pliant executives in state companies and municipally controlled entities who then farmed out contracts on the basis of rigged tenders and accompanying commissions. Alternatively, the parties had people specially delegated to negotiate kick-backs on contracts. With the declining threat from communism in the 1980s, the Communists were allowed to be part of the "system". In the case of Milan, the parties received a fixed percentage of the commissions according to their share of the electoral vote. This covered every public works contract including the metro extension, waste disposal, a new municipal theatre and the modernisation of Linate and Malpensa airports.

As the party bureaucracies swelled, so the need for funds grew. By the 1990s some 129,000 jobs fed off the political system, yet the annual state subsidy to all the parties was less than L100bn. And as the ideological differences between parties narrowed, loyalties could only be bought with favours. It was a mutually reinforcing circle that always returned to a growing appetite for funds. The real cost of running this political establishment was close to L5,000bn.

Mongini claims that in the late '80s the "system" degenerated. "Everyone wanted to get in on the act, even the smallest bagmen. You would have people in the local health authorities demanding kickbacks on something as small as a syringe contract. It got out of hand."

People became greedy and some of the private sector companies baulked at the rising demand for bribes. The Socialists have been exposed as the most flagrant offenders, but the Christian Democrats were more subtle and seasoned players.

How much did the party bosses in Rome know about what was going on?

"They knew, helped set it up and were also on the take," says Mongini. "The

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Navy and white: ***modern variations on the classic fashion combination***

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The Long View / **Barry Riley**

Chemical reactions

SO ICI has decided to tear itself in twain lest the bell should toll for the one-time bellwether. Its decision to recreate itself as Zeneca is a clear indication that the British economy no longer determines the shape of the stock market, but rather the other way around.

I have referred before to the curious fact that the UK equity market has consistently outperformed many overseas markets in spite of the poor showing of the British economy. It happened again last year when the total return on UK equities was 20.6 per cent against 16.4 per cent on the World ex-UK Index.

Over the past decade the average UK annual return has been 18.8 per cent compared with 15.6 per cent overseas. Yet economic growth in Britain has averaged only 2.3 per cent a year over this period compared with 2.7 per cent in Germany and the US and 4.1 per cent in Japan. Industrial production has trailed still more badly in the UK.

The share price action of ICI, of course, corresponds more closely to this dismal industrial picture. The UK stock market has been lifted by certain service sectors and by the monopoly utilities privatised at giveaway prices in the past ten years: these account for 11 per cent of the market's value and nearly 20 per cent of the underlying profits. Elsewhere, about half the profits of UK-listed companies are earned overseas. The poor old British economy has less and less relevance.

The share price action has generally been good, but tension between British companies and their mainly institutional shareholders is regularly apparent. The 1980s takeover boom and the subsequent corporate governance debate were symptoms of that. So long as the shareholders are fed with a regular stream of dividends, however, there is little trouble. Between 1982 and 1992 capital investment by industrial and commercial companies grew 2.8 times (in nominal terms) but dividends increased twice as much. During the past two years of recession dividends have climbed 20 per cent while investment has been cut back by 13 per cent.

There can be logic in this payment in adversity. Resources that cannot be invested profitably should be returned to shareholders. The shareholder's interest can be identified with national interest *so long as the rest of the world is playing the same game.* If not, the efficient stock market may operate as a doomsday machine for the destruction of domestic industry. High returns may only be achieved at a price.

The aloofness of the British governing classes and the City of London from domestic industry has long been notorious. It was again highlighted by a document called *Britain, Europe and the Square Mile,* published earlier this month by the European Policy Forum. In pleading the City's special self-interest in European integration, the paper argued that if the UK detached itself from the core of the European community there would be a risk to foreign direct investment. It did not explain why the UK has become so much more dependent on foreign investment than any other large EC economy.

Meanwhile, in this year's wave of rights issues, the City has been eagerly helping UK companies make large acquisitions in France, the US and elsewhere. As these companies rely more and more on foreign earnings they find it difficult to maintain dividend growth without exhausting their UK tax allowances. Typically, their response is to call for tax concessions from the British government rather than to adopt the low payout policies of companies in most economies.

Dividends are generally sparse in other leading industrial countries because the effective ownership of industry is in the hands of the state, of interlocking domestic corporate interests including banks, or of private families. None of these interest groups have much need for income; all have a strong commitment to the domestic economy. The freewheeling British structure leads, in contrast, to an international portfolio approach on the part of both institutional investors and corporate empire-builders. The US is rather similar, but is better-placed to protect its industries – as in the latest row over steel anti-dumping duties, and the renewed Airbus dispute – than the UK.

Here is a rough-and-ready summary of the recent decline of British industry. The profit-driven corporate sector has consistently withdrawn resources from underperforming sectors, specially heavy industry, a trend exaggerated by phases of extreme overvaluation of sterling. There were arguments in favour of this in the context of a growing and liberalising global economy, but we are moving into an era of recession and protectionism. Recent policies have led to the appearance of a structural trade gap. Eventual devaluation has been the logical response, but this will bring help on any substantial scale only to labour-intensive manufacturing sectors. Heavy industries which are, say, energy-intensive, and face subsidised competition, will gain little benefit. ICI has long cross-subsidised its heavy chemicals operations but this anomaly has been ruthlessly exposed by the stock market, prompted by Lord Hanson. The rump of ICI will stand little chance of survival.

Inward investment has been one answer to domestic shortfalls, but is it durable? The Dutch state has naturally been unwilling to go on supporting Leyland, and it will prove highly dangerous to rely, over anything other than the short term, on lossmaking Nissan to revive the British motor industry; remember that Nissan and the other Japanese manufacturers no longer benefit from a freakishly low cost of capital, as they did in the 1980s.

Britain long ago lost its motor-cycle sector. It has since lost its domestically-owned car industry too. As things are going the steel, aircraft and basic chemicals industries will not be far behind.

Zeneca, I fear, has nothing to do with motor-cycle maintenance.

MARKETS

ICI forges ahead with a split personality

***Paul Abrahams** assesses the implications for the small investor after the UK's biggest demerger*

SO IMPERIAL Chemical Industry's board pushed the green button. On Wednesday afternoon, at an historic meeting, it decided to split the UK's biggest manufacturer into two parts. The following day, the group's executives announced the decision. They also revealed an horrendous £384m pre-tax loss on £12bn of turnover, and a £949m provision for restructuring.

The demerger plan, to be confirmed at an extraordinary general meeting in May, is to create a fully-independent quoted company called Zeneca. This will comprise ICI's drugs division, its agrochemicals and seeds operations, and most of its speciality chemicals businesses. Zeneca's demerger will be followed by a £1.3bn rights issue to reduce ICI's debts.

Investors in ICI will be given one Zeneca share for every existing ICI share they own. They will retain their existing holding unchanged, though they will then be given the option of buying additional shares in the rights issue.

On the day of the announcement, ICI's shares rose 70½p to £11.52½. Yesterday they rose another 55p. That does not mean the market necessarily thinks that the demerger is a good idea. Institutions have been off-loading the stock for weeks, fearing an immediate £1bn rights issue on Thursday.

The ICI board has decided to maintain the dividend at 55p, in spite of bleak trading prospects, so institutions have been picking up stock in preparation for the dividend on March 15.

What happens to the share price once the stock goes ex-dividend should prove interesting. Some private investors

may want to forsake the dividend, sell the stock, benefit from the sharp rise in the share price and avoid the dangers and complications of the demerger and rights issue.

But what of the prospects for those investors who decide to stick with the separated groups? Will the split be as successful as those of BAT or Courtaulds?

ICI, according to Alasdair Nisbet, of UBS, faces a black hole – that of the continental economy, which is rapidly decelerating. That will have a knock-on effect on the chemicals groups. Cefic, the European chemicals association, estimates that growth in west European chemical demand will slow in all product sectors this year apart from fertilisers.

In 1991, about 25 per cent of new-ICI's turnover was on the continent, with a further 25 per cent in the UK. Only 19 per cent was in the fast-growing Asia-Pacific region and 28 per cent in the US, where the economy appears to be recovering slowly. Ronnie Hampel, new-ICI's chief executive, said the company would get no help from the world economy over the next 12 months.

Nevertheless, a happy combination of cost cutting and currency benefits could enable ICI to leap gracefully over the black hole.

Hampel plans a rigorous cost-cutting campaign. The company is proposing yet another restructuring and a further round of job losses – 7,000 staff will leave the group over the next three years. Charles Lambert of broker Smith New Court believes that the job losses alone could eventually save about £210m a year.

In addition, this year's figures will be helped by the devaluation of sterling on what Sir Denys Henderson, the chairman, calls "sunny Wednesday". On a rule of thumb, every cent the US dollar falls adds between £2m and £3m to ICI's pre-tax results. Lambert estimates that currency benefits – at about £150m – will form the largest element in ICI's earnings improvement this year.

The danger is that ICI might leap – and then tumble into the hole. If it does, the group's promise to maintain the dividend at 27½p during 1993 looks hard to keep. Much of the share price rise at the end of this week was based on the promise to maintain the dividend. If ICI looks as if it will break that promise its shares could be in trouble.

An economic recovery has already been discounted into ICI's share price, although recovery is far from certain. Nisbet at UBS says that if the market has underestimated the benefits of currency and the recovery, then investors might prefer to pick up second tier chemicals stocks rather than buying more ICI.

The UK, following the devaluation, is the best place in Europe to manufacture chemicals at the moment, according to Nisbet.

On the other hand, one final reason for buying ICI might be to pick it up as a takeover play. US broking houses in London have been making noises about a hostile takeover aimed at breaking up the business.

However, new-ICI will have £690m of debt after the demerger. Some analysts believe the board left it there as a poisoned pill to prevent such a takeover.

Zeneca poses a problem for investors. Drugs stocks are out of favour at the moment. Institutions have piled out of defensive stocks such as pharmaceuticals and invested in cyclical companies instead.

Even if the recovery is some way off, institutions are unlikely to move back into drugs stocks for fear of missing out on the recovery when – and if – it comes.

An added disincentive for pharmaceuticals stocks is pricing pressure, particularly in the US. President Clinton will not reveal his health care reforms – which could affect the drugs groups – until May, almost the same time as Zeneca's rights issue.

As for Zeneca, the company is not even a pure drugs stock, given that more than 60 per cent of its sales concern agrochemicals and specialities. It will have to be valued at a discount to groups such as Glaxo and Wellcome.

Should investors take up their rights? The answer depends on Zeneca's price and the discount being offered by the company and underwriters.

Zeneca's operating profits actually dropped from £682m in 1991 to £587m last year. Most of the decline was due to the expiry of the US patents for Tenormin, Zeneca's top drug and once the world's fifth best-selling medicine, generating sales of nearly $1.2bn a year. American sales fell up to 50 per cent last year.

David Barnes, Zeneca's chief executive, believes US sales of Tenormin will stabilise soon at about 25 of its peak. Meanwhile, revenues from newer products are increasing rapidly.

Sales of Zestril, a heart drug, improved 30 per cent, while Diprivan, an anaesthetic, and Zoladex, a cancer treatment, both rose by 50 per cent.

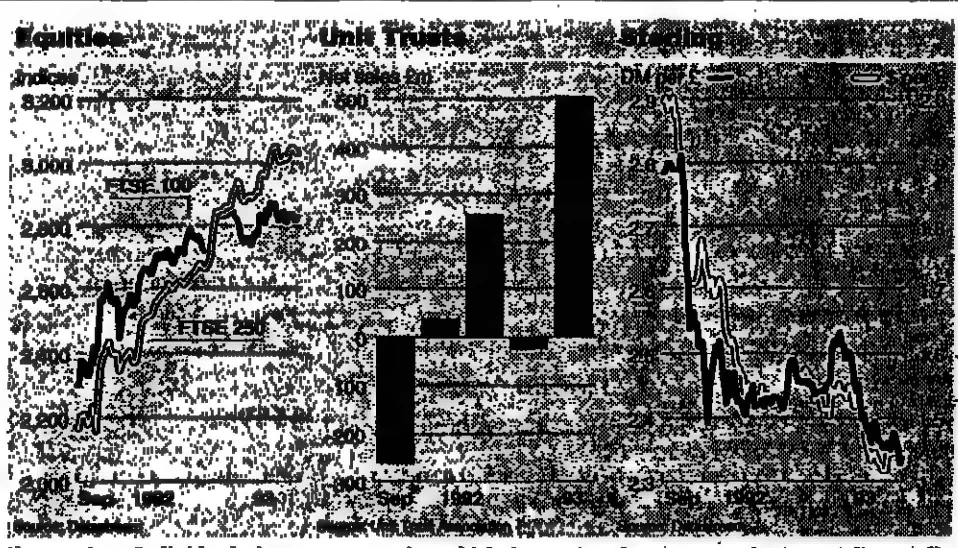
There may also be some recovery potential from the specialities businesses, especially dyes, which represent about 30 per cent of the division's £996m turnover. These have been suffering from the recession in the textiles industry.

Zeneca's 27½p dividend offers a yield of about 5 per cent – far higher than traditional drugs stocks. Given that its earnings can only move up, if the company is offered at the right price, Zeneca could prove an unfashionable, but valuable, stock to acquire.

London Markets

Equities are bowled over by Gooch

By Maggie Urry



THERE IS one explanation for the behaviour of the equity market this week – it has been tracking the performance of the England cricket team touring India.

After a downcast start – when England, already two down in the series lost the third and final test – shares ended the week in much brighter mood. A 48-run-win in the final one-day international prompted a 39.3 point rise in the Footsie index yesterday, which ended the week at 2868.0, a gain of 28 points.

Perhaps the much criticised England selectors have been guilty of the short-termism charge often aimed at fund managers – picking one day winners, rather than a side with staying power.

The real reason for the market's performance, though, is that investors have spent the week focusing on the ICI announcement which was made on Thursday.

Monday, Tuesday and Wednesday were occupied with fears that ICI would cut its dividend or launch an immediate rights issue, or both. Thursday brought relief on both counts, and the market began to rise. The rally gathered pace yesterday.

Thursday's 11.7 point rise owed much to a 70½p jump in ICI's share price. But yesterday's increase, with ICI up another 55½p to 1208p, suggested buying interest was more widespread.

Another feature of the market this week was that the Footsie did better than the 250 index. The second tier index includes a large chunk of recovery stocks and has greatly outperformed the Footsie since Black Wednesday last September – a day which Sir Denys Henderson, ICI's chairman, persists in calling Sunny Wednesday.

A better performance by the front line stocks suggests that UK investors are turning away from recovery stocks to more mainline shares and also that overseas investors are beginning to buy the UK equity market.

The big deterrent for foreign investors of late has been sterling's collapse since Sunny Wednesday. While the pound was in free fall, no non-sterling based investor would look at the UK market. But there is now the beginning of a belief that sterling – which hit another record low against the D-Mark this week – is near its bottom.

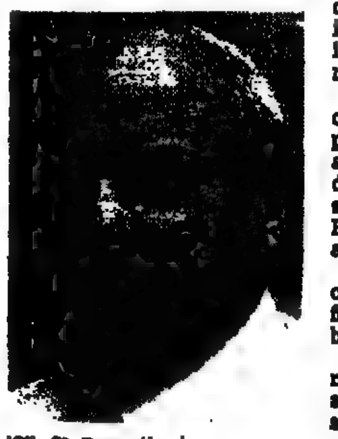
If foreign investors can be confident that the pound will at least stabilise at these levels, they can start looking at yields on UK equities which are attractive compared to other equity markets, and in some cases compared to cash and bonds.

ICI, to pick a stock at random, yields 6 per cent with the promise of a maintained dividend in the current year too.

There is another group of investors which had been wary of buying shares but have changed their view. UK private investors are back in the market, as evidenced by unit trust sales which topped £500m net of repurchases in January.

Ignoring the cynics who believe that unit trust investors always buy at the top, this could be another good sign for the market. Individuals have seen the rates they get on savings accounts shrink as base rates fall. When they can get a higher income from shares, and the chance of capital gain, they are not slow in shifting their cash.

It may be clutching at straws, but a new-found interest from foreign and private investors could form the basis of another run in the equity market. While institutional


ICI's Sir Denys Henderson

investors are unlikely to sell shares, when re-investing the cash would give a poorer return, the squeeze on their liquidity was putting a damper on the market.

The fears of a rights issue from ICI – which will be coming in June from the demerged Zeneca – and other rumoured cash callers has been a depressant for the market.

Although shares of those companies which have staged issues have generally done well, and the take up of issues such as Burton's and Asda's has been high, the demand for new equity allied with the government's desperate need for cash to plug the gaping budget deficit has been weighing on investors' minds.

At least some companies are trying more imaginative ways to raise money, and ones which could put less of a burden on the UK institutional investors. A series of bond issues, convertibles and fixed rate, have been launched.

This week's crop incinded a convertible from BPB, the plasterboard group, which was accompanied by a forecast of a dividend cut on the ordinary shares, and a £100m bond from Royal Insurance, which also announced lower losses.

A couple of large, cash takeover bids would do even more for share prices, but that may be too much to hope for.

Perhaps surprisingly, the market seems less concerned about the economy than for some time.

Fourth quarter gross domestic product figures on Monday, revealing a tenth quarter of recession, were shrugged off. Discussion about what the budget might bring has yet to become intense. There is just the assumption that base rates will be cut again. Even the latest job losses stories have had little effect on a market which knows that unemployment continues to rise long after a recession turns to recovery.

The beginning of the company results season has so far brought few nasty surprises. Even apparently huge pre-tax losses, such as British Aerospace's £1.2bn and ICI's £384m, are being ignored. The excuse is that the introduction of new accounting rules, which make companies take all one-off losses and profits into the pre-tax figure, means that the losses are not "real".

Equally Shell appears to have largely got away with making a £131m provision against foreign exchange losses, putting the blame firmly on the Japanese associate where the currency speculation took place. Top managers there did the decent thing.

Indeed, there has been some good corporate news this week. It must be encouraging that Unilever could increase pre-tax profits 13 per cent to £2bn in spite of the recession, and that SmithKline Beecham could raise profits 11 per cent to £1.1bn.

Encouraging may not be the word to apply to Amstrad's sudden return to profits. Shareholders in that company must have been more than a little surprised to see a profit and an interim dividend from the consumer electronics group.

Only last December Amstrad's chairman and chief executive Alan Sugar was telling them that the outlook was so bleak they should accept his 30p a share offer. Shareholders are having to pay the £1.1m cost of defending the company from its own chairman. The shares finished the week at 27½p, up 3p.

Serious Money

The taxman, the free gift and the BES

***By Philip Coggan**, Personal Finance Editor*

IS THE government going to crack down on the business expansion scheme? As the deadline for abolition at end-1993 grows closer, the industry is getting ever more ingenious in its ways of exploiting the tax shelter, and could be taxing the Inland Revenue's patience.

This week, there was news of a battle between the Revenue and Johnson Fry over tax relief on two schemes, Election Protection and part of the Oxbridge Colleges Cash-Backed plan. The dispute is over an investment in a hall of residence at University College, London.

All BES properties must be let only on assured tenancies. But because the university let the property to foreign students during the summer vacation (after Johnson Fry and UCL had exchanged contracts, but before Johnson Fry paid for the property), the Revenue is claiming the scheme broke the BES rules. It should not, therefore, attract tax relief.

This could be dreadful news for investors in the schemes, since they make little sense as investments *per se*; the return depends almost entirely on the tax relief. Johnson Fry and its lawyers contend, however, that these schemes should attract tax relief; and it emphasises that those who invested in the non-UCL part of the Oxbridge fund (such as the Balliol college scheme) are not affected.

The dispute caused one BES issue, from Capital Ventures, to be withdrawn this week and might have raised fears of a general assault by the Revenue on the industry. Given the structure of many recent schemes, with top-rate taxpayers earning 20 per cent plus profits in six months, it would not be surprising if the taxman were to be itching for revenge.

For the moment, however, it seems clear that the dispute is limited to university-backed schemes and, even there, will affect only those using existing halls of residence.

The bank and building society schemes continue to flourish, such as the Gracechurch issue launched by the London-based Barclays de Zoete Wedd. Backed by Barclays bank, it offers a non-recourse loan enabling higher-rate taxpayers to get back 74p after six months, equivalent to an annualised return of 39 per cent. This facility is not suitable for basic-rate taxpayers. Prospectuses are available from a limited number of Barclays branches, or from BZW.

Such schemes are, effectively, gifts from the broad mass of taxpayers to top-rate payers and lenders with repossessed properties on their hands. The chancellor seems willing to allow this, for want of a better way of soaking up the burden of repossessed properties. Those who can take advantage of the plan will rub their hands in anticipation of profits; those who do not will grind their teeth if other taxes go up in the Budget.

■■■

ROBIN Angus, of NatWest Securities Ltd, is a sort of Old Testament prophet of the investment trust industry. A fierce traditionalist, he is deeply suspicious of some of the new-fangled split capital structures devised by investment trust companies to attract the private investor.

In his latest Yearly Review of the sector, he emphasises one vital point for private investors – that they should consider not just income, or capital, but total return.

The present fad is to invest in high-yield investments which do not grow (such as income shares), or in growth instruments which pay no income (such as capital or zero shares). But a conventional trust can offer both; the yield might be low but, if the trust rises in price, the investor can sell some shares and use the proceeds as income.

Say you are a top-rate taxpayer with £100,000 in income shares which yield 8 per cent; your annual income would be £8,000 gross, or £4,800 net. But if you owned a conventional trust, you might enjoy a 3 per cent dividend yield and 5 per cent capital growth.

The dividend on the conventional trust would pay only £3,000 gross, or £1,800 net. But if you sold £5,000 of shares, you might pay no tax at all on the proceeds if you have no other capital gains that year. As Angus puts it: "The £5,800 capital gains tax exemption is the greatest undiscovered tax break available to the small or medium-sized investor – much more powerful than a Pep."

Even allowing for dealing costs of 5 per cent, the investor in the conventional trust would still have a net return of £6,550, far higher than the income share investor.

Furthermore, Angus argues that the conventional trust could well produce a better performance in the long run than a split trust, which might have to tailor its holdings to suit the demands of its different classes of shareholders. "Conventionally-structured trusts are investment-driven, while split-capital trusts are structure-driven," he says.

Angus's views are a timely reminder for investors that they should not ignore conventional trusts. Indeed, the volatility of split shares yesterday prompted Sphere to reveal proposals for a packaged unit; in other words, creating an instrument which behaves like a share in a conventional trust. That could prove a straw in the wind...

Wall Street

Markets still playing it cool with Clinton

THE WHOLE may usually be greater than the sum of the parts. But occasionally, the parts still steal the limelight.

That was the case on Wall Street this week. Having spent much of the previous week focusing on the grand economic strategy and the implications which the Clinton plan may have for the speed at which the US pulls out of recession, the market switched its attention to the slightly more predictable effect on individual industries. For the likes of biotechnology, tobacco and luxury consumer goods stocks, this was not a happy scrutiny.

Admittedly, the macro-picture was not forgotten altogether. On Tuesday, publication of the monthly Conference Board report on levels of consumer confidence sent stock prices tumbling across a number of sectors.

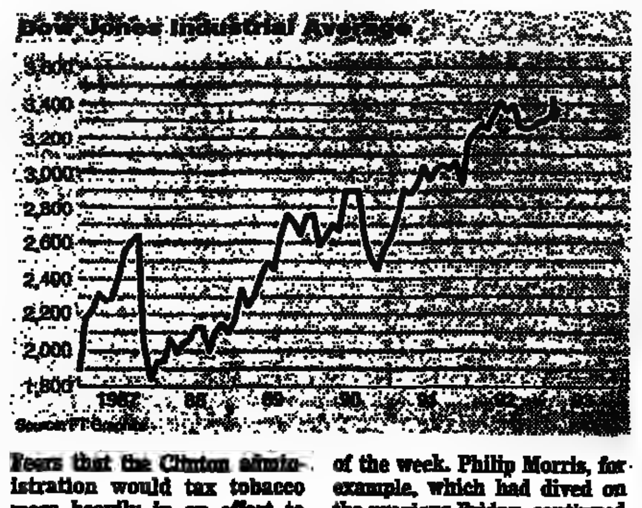
The Conference Board calculated its index for February at 68.5, more than eight points lower than the level registered in January. To compound the gloom, its survey had been conducted two weeks before the Clinton package was announced to Congress. Even at this stage, it seemed, consumers were becoming increasingly wary about the recovery's strength.

The stock market, seeing some of its worst fears confirmed, took the news fairly badly. The Dow Jones Industrial Average fell by almost 20 points, although the broadly-based Standard & Poor's 500 index showed a much smaller loss. Even in this instance, however, the declines were concentrated among mainline "consumer stocks". The three carmakers, for example, shed 4 to 6 per cent of their value, while many of the nation's largest retailers also posted significant declines.

Thereafter, the remainder of the week's trading was erratic. Faced with a paucity of "hard news" or fresh economic data, dealers and investors turned to a wave of rumours, and to "micro" considerations of individual stocks or sectors, in an effort to stimulate business.

No rumour proved more powerful than the whisper that President Clinton was about to cap credit card interest rates and, according to some sources, finance charges on other forms of consumer credit. The suggestion duly provoked a denial from the Treasury – but not before some credit cards stocks had lost, and then regained, about one-fifth of their market value.

Tobacco stocks fell prey to the same type of treatment.



Fears that the Clinton administration would tax tobacco more heavily in an effort to fund a health-care reform plan hung over the sector for most of the week. Philip Morris, for example, which had dived on the previous Friday, continued to slide early in the week. The stock then railied mid-week, before edging down again as the week's trading drew to a close. By Friday lunchtime, Philip Morris shares were trading at $66, only ½ away from its 52-week low.

The story within some other sectors was a little more rational. For some time, drug companies have seen the new President's attacks on their pricing policies translate into substantial share price falls. This week, however, attention focused more heavily on the biotechnolgy stocks. Compounding the general uncertainty over health care reform implications, a couple of biotech companies released pessimistic announcements – thus accelerating the sector's general decline.

Amgen, for example, warned that first quarter sales and profits would be significantly below Wall Street's expectations; Synergen revealed that a drug, designed to treat septic shock, had not performed up to expectations in clinical trials. The former's shares fell over $9, to around $37 on the news; the latter lost $28⅝, to $13½.

Some investors may wonder when this speculation-driven trading will be replaced by a more solid trend. Few traders think that this is likely in the foreseeble future. The full implications of the Clinton package – in particular, the details of health care reform – will take months to unfold. Even then there are numerous political hurdles to surmount.

Nevertheless, despite all the plunges and rallies, the Dow Jones Industrial Average has moved by a net 30-odd points since President Clinton first appeared on the nation's television screens explaining the broad outlines of his deficit reduction plan – scarcely the most momentous of movements.

Meanwhile, the rate at which the economy was recovering at the end of 1992 remains debatable; on Friday, for example, the authorities released a revised estimate for fourth quarter economic growth suggesting that gross domestic product was growing at an annualised rate of 4.8 per cent, up from a previous estimate of 3.8 per cent.

In short, uncertain about both the recent past and the immediate future, Wall Street is taking the obvious course. It is simply waiting to see.

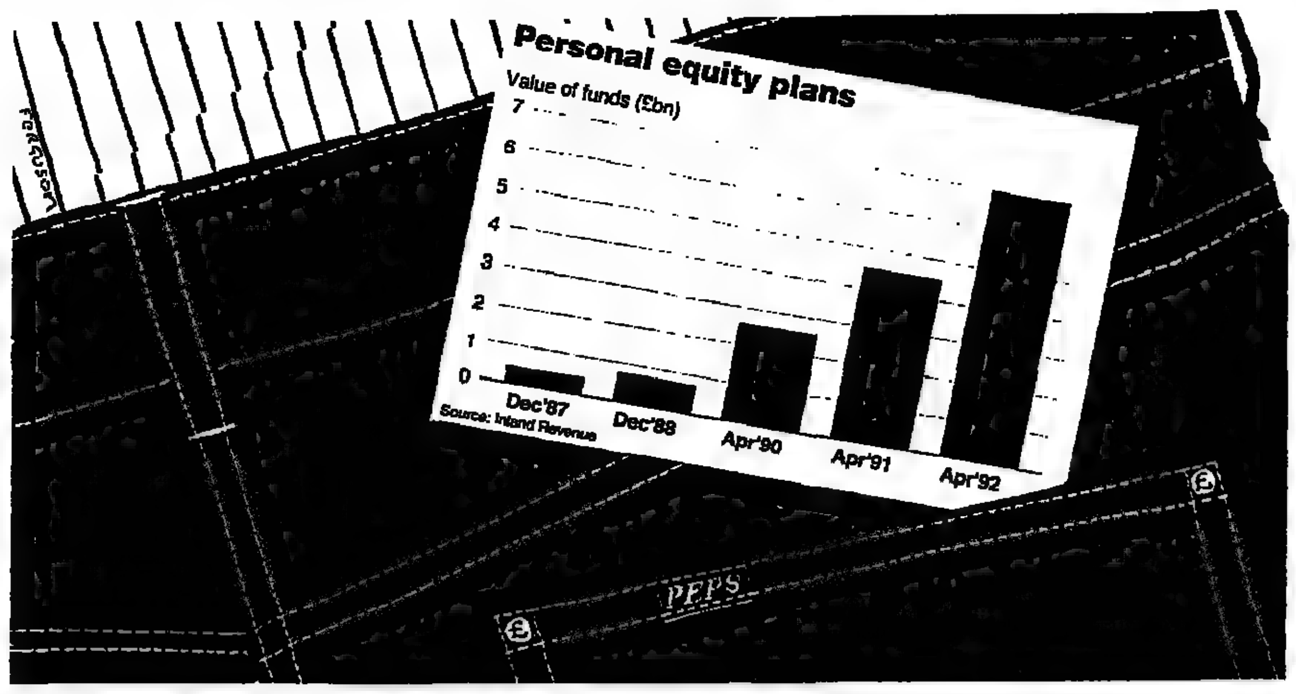
Nikki Tait

Monday	3342.99	+ 20.8
Tuesday	3323.27	− 19.7
Wednesday	3356.50	+ 33.2
Thursday	3365.14	+ 08.6

FINANCE AND THE FAMILY

So many Peps – but which is best for you?

***Philip Coggan** seeks guidance through a financial maze*



MARCH is fast becoming the personal equity plan season. There is nothing like a deadline to make investors open their wallets, and the approach of the end of the financial year on April 5 turns their mind to tax-free products.

Logically, it would have been better for investors to buy Peps in August, when the FT-SE 100 index was at 2,280, than now, with the market trading in the 2,800s. But with investors limited to one general Pep a year (see guide below), there is a natural tendency to wait for the "best product." Also, with base rates at 6 per cent, those savers who previously were content to leave all their money in the building society may now be considering Peps for the first time. A stream of these has been launched over the past few weeks, with the specific aim of attracting investors who want income.

Perhaps the most ingenious is Hypo Foreign & Colonial's Higher Income plan, which offers a yield of 10 per cent after charges through use of the options market. The product looks very attractive but is very complex and investors should take financial advice before parting with their cash.

There is a danger that people will rush into Peps for the wrong reason. Any equity-based investment involves risk; you should not buy a Pep if you are likely to panic should your investment fall by 10 per cent six months from now. These are investments for the long term, which means at least five years.

You should also watch to see that the charges do not eat up the tax benefits. This is a particular problem for a basic-rate taxpayer, who might find it better to buy some unit or investment trusts directly, rather than in Pep form. It is rarely suitable for a non-taxpayer to buy a Pep.

How does the investor sort through all the Peps on offer to find the one that best suits his or her needs? One useful source of information is the Chase de Vere Pepguide, which publishes details of around 700 plans and is available for £9.95 from Chase de Vere Investments, 63 Lincoln's Inn Fields, London WC2A 3JX.

BESt Pep (tel. 071-936 2037) produces a free background guide and makes recommendations, for a charge of £25. Like Chase de Vere, it refunds the charge if an investor then buys a Pep.

To guide readers through the maze, we asked financial advisers to give their views on the Peps that would best suit three different types of investor.

■ *Basic-rate taxpaying individuals in their 30s who want to save for the long term.*

John Cole, of Berry, Birch & Noble, says a younger person probably will look for a managed fund, as offered by a unit or investment trust. "You don't want to go for a yield as high as 6 or 7 per cent," he says "but it would be wrong to go for a fund with no yield at all." Cole says a unit trust such as Perpetual's High Income, or an investment trust such as Murray Income, might be suitable.

Richard Boyton, of Boyton Financial Services, recommends the Killik self-select Pep where charges are 1.85 per cent for dealing and a levy of £7.50 per dividend. He recommends that investors then select the Scottish Value investment trust. Says Boyton: "This fund has outperformed the FT-SE 100 index by over 50 per cent since September 1991."

David Harris of Chantrey Vellacott says that young people "might well use a Pep to back their mortgage. Peps represent the best long-term vehicle for this."

He adds that such people should opt for a cautious capital growth approach, linked to either a unit or investment trust. "Statistics show that individuals in this age group tend not to invest the maximum £6,000 and to elect for regular monthly savings. I would choose fund managers with a strong record who figure regularly in the top 25 per cent of performers. My particular selections would be the Schroder Pep linked to its UK equity fund, or Foreign & Colonial's Pep investment trust."

Mark Bolland of Chamberlain de Broe also favours Peps for mortgage repayments. "They are tax-efficient, and cheaper and far more versatile and flexible than an endowment. The only thing they lack is an insurance element, and that can be arranged more efficiently by other methods.

"Ideal vehicles are the investment trust savings schemes. These are comparatively cheap and the returns can be outstanding. Someone kicking off with a reasonably small amount could invest in the old favourites, Foreign & Colonial and Alliance. A couple could put up to £250 per month into these trusts, which have very attractive long-term returns and are broadly invested internationally."

"Those in a position to save more, could look to other regular savings schemes in the UK/EC trusts such as TR City of London, Guinness Flight's Temple Bar trust, or Kleinwort Benson's Merchants Trust."

■ *Top-rate taxpayers in their 50s who are aiming to save for their retirement.*

Harris favours a slightly more aggressive stance for people in this category, who may want to consider a self-select Pep. "My choice would rest between the Charles Stanley gold Pep, for execution-only deals, and the Alliance Trust Pep, although this requires the first £1,500 to be invested in Alliance investment trusts and has a restricted list of direct shares.

"For more conventional investors, I would choose the Perpetual self-select Pep linked to their UK growth fund or, for international exposure, Barings' Maxi-Continental plan linked to their European Growth trust."

Cole says such investors might view their Pep as an extension of their general equity portfolio and will probably opt for a self-select plan.

Bolland says: "The nature of the investment needs to be considered carefully, given that a tighter time scale is involved. If there is only five years until retirement, too much risk is unwise.

"Suitable vehicles would be the Cazenove and Newton Income Peps. The former is a low-cost plan investing specifically in utilities and bonds, offering a high yield. If anything, the drawback with this approach is limiting exposure to a narrow range of equities. I like the Newton fund because of its excellent long term record for growth and income."

Boyton again opts for the Killik self-select Pep but linked to Morgan Grenfell's Equity Income fund, yielding 5.4 per cent gross. This would give a tax-free income of £324, which equates to a gross yield of 9 per cent before tax.

■ *Retired basic-rate taxpayers who need income.*

A good yield is obviously the key factor, says Cole. He thinks the choice falls between two plans: Cazenove's Bond and Utility fund; and the Fidelity High Income, which yields 6 per cent and has slightly higher charges but pays a monthly income. "Many small investors are very keen on the monthly option," he adds.

Harris says: "For the investor ready to take a moderate level of risk, I would choose a unit trust-based income portfolio which yields between 15-25 per cent more than the All-Share. A good example is Newton Income.

"For those willing to take a slightly higher level of risk, investment trust Peps using income shares will provide a higher yield. However, it should be remembered that other classes of shares within the trust have first call on any capital growth and there is a real chance of capital loss. My favourite in this area is the Murray Johnstone Pep, linked to its split-capital trust income shares. Alternatively, the new Cazenove Bond & Utility fund is highly attractive."

Bolland says: "Rather than going flat out for income, long-term capital and dividend growth should be the targets. A self-select Pep investing in income shares might be appropriate. Care is needed in choosing the income shares, since some involve the possibility of a loss to redemption; the shares selected should be ones which can participate in the capital growth of the trust. A lower risk option might be the Cazenove plan."

For those needing income, Boyton unashamedly recommends a product his own firm has put together, with Killik as plan manager and Olliff & Partners making the share selection. The scheme is a combination of a split-level income investment trust share and a zero dividend preference share.

The anticipated net yield in year one, after charges, is 9.46 per cent. This will rise to 10.52 per cent in year five provided the income section grows by 2.5 per cent per annum. A £10,000 investment is needed, of which £6,000 is invested in a Pep and the balance in zeros. Charges are the normal ones for Killik (see above), 1 per cent initial for Olliff, and £150 payable to Boyton.

■ *For further details on these plans, the 'phone numbers and addresses of most fund management groups can be found in the managed funds pages at the back of the FT's first section.*

THE JARGON EXPLAINED

A PERSONAL equity plan allows an investor to buy stock market investments on which all income and capital gains are tax-free. Individuals are limited to a maximum of £6,000 a in most Peps during a tax year (although a single-company pan of £3,000 can be bought on top).

The majority of the investment must be in shares (although a unit trust which invests in both shares and gilts, can be eligible). Cash can be held within the plan, but only if it is intended to move the money into shares eventually. More than 50 per cent of the assets must be in the European Community. There is no time limit on Pep investment but the nature of the scheme makes it a long-term prospect.

The capital gains tax exemption is of value only to the wealthy – fewer than 100,000 people are likely to pay CGT this year – and the income tax exemption is worth a very small amount in early years. If a Pep has a yield of 5 per cent, the annual income on a £6,000 plan will be £300; that represents a saving of £75 for basic-rate taxpayers and £120 for those on the top rate. Pep charges can often obliterate these gains.

There are many types of Pep available. For those confused by the jargon, they fall into these categories:

■ **Corporate.** This is a plan devoted to buying shares in a single company. Confused easily with a single-company Pep (see below), a corporate Pep allows for a full £6,000 investment. Many companies have set up low-cost plans to benefit existing investors; but they must sell their shares and buy them back within the Pep. The costs of this might outweigh the benefits.

■ **Investment trust.** A plan which invests solely in the shares of one investment trust, or a small group of them. Since trust charges normally are quite low, most IT Peps will have additional charges. For some investors, particularly basic-rate payers, these extra levies could outweigh the benefits of holding the plan in Pep form.

■ **Managed.** A manager (normally a stockbroker, financial adviser or fund management group) selects shares, or a combination of shares, unit and investment trusts. Charges tend to be higher on these plans and performance figures are difficult to come by.

■ **Self-select.** A plan where the investor chooses the stocks. A manager still has to do the paperwork, however, and the investor must pay a charge; indeed, the most crucial component in a self-select PEP is the charges. But some brokers will offer advice on the stocks you select; it might be worth paying a higher charge to benefit from this advice.

■ **Single-company.** An additional plan which can be added to other types of Pep. Single-company plans are limited to £3,000 a year and, because of the risk of "putting all your eggs in one basket," they are suited best to those with large equity portfolios. But they can also be useful for those who have bought shares through company option schemes. Such shares can be transferred into a Pep without any liability for CGT if the transfer is within 90 days of their purchase via the scheme.

■ **Unit trust.** A plan where the money is invested in a single unit trust. In many cases, there are no additional charges; so if you are prepared to buy into a unit trust in any case, you might as well do so via a Pep. But if there are additional charges, you need to make a careful comparison to see if these fees outweigh the tax benefits.

FINANCE AND THE FAMILY

We'll be worse off with the Budget

*Well, that's what one accountant thinks. Others differ. **Scheherazade Daneshkhu** canvasses opinion*

WITH THE first of two Budgets this year just over two weeks away, some of the large accountancy firms are predicting measures which the chancellor of the exchequer, Norman Lamont, might announce on March 16. In most cases, there will be few precautionary measures individuals can take even if the forecasts turn out to be right. If value-added tax were to be introduced on books and children's clothes, for instance, stocking up on these in advance has its limits.

Other measures may have more practical consequences. One prediction is that tax-exempt special savings accounts (Tessas) may be abolished – an incentive, if ever there was one, to get every member of the family to open one, even with only a small deposit.

"Most of us will be worse off than before," says Peter Wyman, tax partner at Coopers & Lybrand. "The question is, by how much and in which areas." But since Lamont has a difficult task to bolster confidence and stimulate the economy while funding a deficit, there are many who expect the first Budget to be cautious and the second to contain more radical measures. So, what may we expect?

■ **Personal taxes.** Both Price Waterhouse and Ernst & Young believe Lamont will extend the 20 per cent income tax band, which he introduced in the last Budget, on the first £2,000 of taxable income. E&Y suggests it could replace the 25 per cent basic-rate tax band through its extension to the first £10,000 of taxable income. To maintain tax revenue, E&Y thinks Lamont could convert the remainder of the 25 per cent band to 30 per cent and alter the 40 per cent threshold.

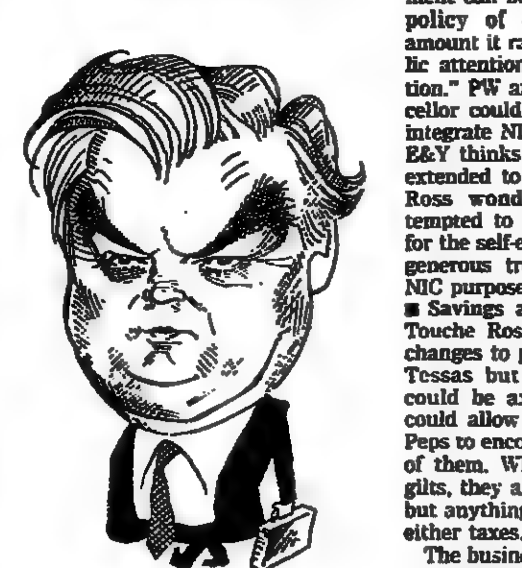
For Coopers & Lybrand and KPMG Peat Marwick, however, the most likely outcome is that, like last year, the thresholds will not be increased in line with inflation. By making no change, the Treasury would get an extra £1bn in revenue.

■ **Other personal taxes.** Coopers believes that inheritance tax and capital gains tax will both be increased with inflation and that there is a chance the threshold on IHT could be raised to as much as £175,000. KPMG says there are rumours that CGT might be rebased to 1992 which would, in some cases, have the effect of delaying accrued losses.

■ **Personal allowances.** Coopers thinks that Lamont is likely to allow personal allowances to rise with inflation, but E&Y predicts no indexation for allowances. Price Waterhouse thinks the married couples' allowance will be left unchanged at £1,720.

■ **Value-added tax.** Since every percentage point increase in the standard rate of VAT means the Treasury would raise £2bn, it is an obvious target for the chancellor. Although an increase in the standard rate from 17.5 to 18.5 – or even 20 – per cent is possible, E&Y thinks that such an increase is more likely to come in the second Budget.

Price Waterhouse, Touche Ross and Coopers think that a new, reduced rate of possibly 5 per cent could be introduced on items hitherto exempt – such as books, newspapers and children's clothes.



■ **National Insurance contributions.** Price Waterhouse says: "The yield from this hidden tax, which is charged on both employers and employees, is so high that the government can be expected to continue its policy of quietly increasing the amount it raises while deflecting public attention onto income tax reduction." PW and E&Y believe the chancellor could decide further moves to integrate NIC with income tax, while E&Y thinks employers' NIC could be extended to taxable benefits. Touche Ross wonders if Lamont will be tempted to remove the earnings cap for the self-employed, who enjoy more generous treatment than others for NIC purposes.

■ **Savings and personal investment.** Touche Ross does not expect major changes to personal equity plans and Tessas but E&Y thinks the latter could be axed. PW thinks Lamont could allow the inclusion of gilts in Peps to encourage people to buy more of them. While there is no CGT on gilts, they are liable to income tax – but anything in a Pep is exempt from either taxes.

The business expansion scheme will be extinguished at the end of December, but Touche Ross and E&Y think the chancellor could announce an end to "loan back" schemes – which allow an exit from the scheme after six months – for the rest of the year.

■ **Cars.** When Lamont abolished car tax last year, he warned that he would take other measures to recoup the loss. A steep increase in petrol duty is, therefore, expected by all. KPMG and Touche Ross think new scale rates for company cars may also be introduced, following the proposal last July by the Inland Revenue for basing taxation of company car benefits on the cost of the vehicle rather than engine size.

Other possible areas for action include reforming the taxation of trusts and introducing an earnings cap for retirement annuity premiums, to bring them into line with personal pension plans. There is a possibility that the lump sum payable on maturity could be taxed on new plans. Lamont could also announce the gradual phasing-out of mortgage interest tax relief, although the delicate state of the housing market might inhibit him from doing so in the first Budget.

Finally, the Revenue's new tax return form, which will be sent out in April, is expected to herald the beginning of "self-assessment" where individuals will estimate their own liability – although the Revenue will be able to challenge the result.

Revenue opens itself to more complaints

A POWERFUL new post to be advertised by the Inland Revenue in the next few days should be good news for taxpayers with grievances. As part of the government's Citizen's Charter initiative, an independent "revenue adjudicator" should be in post by May to cope with complaints from the public for periods after the start of the new tax year on April 6.

The Revenue expects that person to receive 20 to 50 complaints each week. He or she will consider complaints about the way tax affairs have been handled, but will not be involved in hearing appeals on tax assessments.

Appeals on tax are, ultimately, heard by the general and special commissioners for tax and by valuation tribunals, before heading into the courts on appeal.

On the handling of tax affairs, the Revenue says that the first person for complaints should, ideally, be the district inspector of the local tax or collection office who is most familiar with the cases and officials concerned.

It says the vast majority of complaints are handled successfully at this level. Those who are not satisfied should contact the regional controller, whose address is available from the local tax office.

After that, many complaints go to the board of the Inland Revenue in London. Others are sent to members of parliament who can, in turn, refer them to the parliamentary commissioner for administration or "ombudsman" – who takes on a handful of cases each year.

Officials hope the public will make contact with the new adjudicator only after trying the regional controller of the payer's tax area, but add that the adjudicator will always be available to process problems or refer them to the appropriate individual.

They say they dealt with around 14,000 complaints last year. One-fifth were about technical and procedural matters; one-fifth with delays; and another 18 per cent related to systems, policy issues or questions about why individuals should have to pay tax at all. Some 5 per cent concerned investigations.

All the rest concerned topics such as failure to keep the taxpayer informed, incomplete handling of cases, and failure of liaison. About half of all complaints relate to pay-as-you-earn.

The Revenue stresses that a national survey of taxpayers it conducted last year showed that 65 per cent were satisified with the overall service they received. It says it is taking on board suggestions which resulted, including improving its educational activities to ensure that people pay the right amount of tax – neither too little nor too much.

In the past few days, the Revenue has also released three new codes of practice designed to bring together and make public its existing guidance for staff.

■ **Mistakes by the Revenue.** This points out possible redress against the organisation when it has made a serious mistake or delay – such as paying interest on money owed or costs related to delays in processing enquiries.

■ **Inland Revenue investigations.** This stresses that even when taxpayers' affairs are being investigated, they are entitled to the same rights and courtesies as anyone else and can ask for explanations at any time.

■ **Inspections of employers' and contractors' records.** This says the Revenue will respect confidentiality and give notice of visits to examine records.

A new version of leaflet IR 120 (You and the Inland Revenue), available from local tax offices, will be printed shortly containing details of the new arrangements.

Andrew Jack

In the News

CHELTENHAM & Gloucester and Nationwide building societies are cutting investment rates from Monday. They are also offering mortgage rates of 4 per cent. At C&G, cuts are between 0.8 and 0.61 of a percentage point on gross rates. The flat rate on the London Share account is dropping from 7 per cent gross to 6.25; the London Deposit account's top tier of £25,000 and over will pay 7.2 instead of 8. The Flexi-Tessa rate is 6.85, down from 7.5, but the new Best 90 account is unaffected. It is paying 7.55 on the bottom tier of £10,000 and up to 8.55 on balances of £100,000.

Nationwide's top tier of CashBuilder (£25,000 and above) will pay 5.6 per cent gross instead of 6.2. Rates on CapitalBuilder are now 6.3 on the top tier of £50,000 and above. There are also interest rate and overdraft reductions on Flexaccount, the interest-bearing current account.

■■■

FIRST-time buyers at C&G are being offered a mortgage of 4 per cent fixed (8.1 apr) until February 28 next year. The mortgage then reverts to C&G's standard variable rate, now 7.99. It is available on interest-only and repayment mortgages for a minimum deposit of 10 per cent.

The maximum loan is £70,000 and application fee is £50. If you redeem in the first three years, the mortgage will be treated as though you had taken out the loan at the standard rate.

Nationwide is selling off up to 1,500 of its repossessed properties for a similarly reduced rate. Buyers will be offered a fixed rate of 4.25 per cent for two years (7.8 apr) and a free valuation. You have to put down a 10 per cent deposit and take out the society's payment cover policy for the fixed-rate period. The arrangement fee is £50. There are no early redemption penalties.

■■■

SCOTTISH Amicable reduced payouts on 10-year with-profits policies by more than 15 per cent this week, from £7,331 to £6,174 (based on a male, aged 29 at outset, paying £30 per month in premiums). Roy Nicholson, managing director, said cuts were caused by the group's investment focus on small company shares, which had suffered in the recession. However, this factor had little effect on longer-term policies; accordingly, 25-year policies are being reduced by just 4.7 per cent, from £62,543 to £59,602. The payouts represent annual returns of 10.4 per cent for the 10-year policies and 13 per cent for 25 years.

■■■

It was another good week for small company shares. The County Small Companies Index rose 0.3 per cent from 1051.95 to 1055.57 in the week to February 25 while the Hoare Govett index (capital gains version) increased 0.2 per cent from 1346.28 to 1349.05 over the same period.

The Week Ahead

WILLIAMS Holdings, the industrial conglomerate, is expected to show a 5 per cent fall in pre-tax profits, from £168m to £160m, when it announces full-year results on Thursday. The company's exposure to d-i-y and aerospace markets are behind the likely slip in earnings per share to 20.1p (22.8p). The dividend is expected to be maintained.

Another round of write-downs on property and the Channel Tunnel contract is thought to have kept BICC's pre-tax profit flat at about £80m last year. It reports on Wednesday.

Two more composite insurance companies, General Accident and Guardian Royal Exchange, are expected to report sharply-reduced losses next week. Rising premium rates and milder weather are mainly responsible for the improvement. GA is expected to report a loss of between £20m and £30m on Tuesday, compared with a deficit of £171.6m in 1991. On Wednesday, GRE could also report losses of between £20m and £40m, against losses of £309.7m in 1991.

Fisons, the drugs and scientific instrument group, reports its full-year results on Tuesday. Analysts are unsure about the net impact of disposals during the past 12 months, which must now be carried above the line to conform to the new FRS3 accounting standard. Lehman Brothers estimates the underlying business will report profits down from £190.5m last year to about £105m. This represents a 50 per cent improvement during the second half of the year.

The 1992 results for Barclays will be announced on Thursday. These will be preceded on Tuesday by Abbey National, and on Wednesday by Midland. Barclays is expected to make a pre-tax loss of about £100m, and a retained loss of £500-£600m after maintaining the final dividend. But BZW is predicting a cut in the dividend.

Abbey National will make pre-tax profits of about £570m, and retained profits of about £200m. Its provisions for possible bad debts are expected to double to about £320m, reflecting the depressed UK housing market. Midland is expected to show the effect of a significant lightening of its provisions for possible bad debts to about £700m for the year, compared with £903m in 1991. This is expected to boost pre-tax profits to about £200m from £36m.

COMPANY NEWS SUMMARY

TAKE-OVER BIDS AND MERGERS

Company bid for	Value of bid per share**	Market price**	Price before bid	Value of bid £ms**	Bidder
Prices in pence unless otherwise indicated					
Brabant	60	37	39	9.97	Aberdeen Pet.
Clifford Foods	573*	578	523	12.81	Unigate
Do. A.	251*	256	219	35.99	Unigate
Evode ‡	130	138	106	101.11	Laporte
Do. Prf. ‡	112	121	101	45.7	Laporte
Drayton Asia	121	117	113	121.61	EFM Dragon
Hunter Saphir ‡	42*	43	36†	10.37	Albert Fisher
Owners Abroad	115	131	109	171.35	Airtours
Do. Cav. Prf.	103	221	179	53.6	Airtours
Platon Int'l	27	25	20	2.88	Wills
Wheway	9	$9\frac{1}{2}$	$7\frac{1}{2}$	12.58	McLeod Russel

*All cash offer. ††Cash alternative. §For capital not already held. ‡ Unconditional. **Based on 2.30 pm prices 26/2/93. §§Shares and cash. †Price at suspension.

PRELIMINARY RESULTS

Company	Sector	Year to	Pre-tax profit (£000)		Earnings* per share (p)		Dividends* per share (p)	
Aberdeen Petroleum	O&G	Dec	355	(78)	0.73	(0.12)	-	(-)
[redacted]	Elec	Dec	3,990	(3,470)	24.2	(21.5)	5.4	(4.8)
American Tst	InTr	Jan	6,020	(5,770)	4.82	(4.1)	4.9	(4.5)
Amicable Smaller	InTr	Dec	1,060	(-)	3.03	(-)	3.4	(-)
Baldwin	H&L	Oct	2,470	(2,280)	0.8	(0.3)	1.0	(-)
Bank Leumi (UK)	Bank	Dec	3,740	(5,520)	30.0	(47.0)	17.0	(16.0)
[redacted]	n/a	Dec	91,300	(137,800)		(-)		(-)
British Aerospace	EnAe	Dec	1.2bn L	(81,000 L)		(-)	7.0	(20.0)
British Gas	O&G	Dec	1.05bn	(1.71bn)	5.4	(11.3)	14.2	(13.75)
Capita Group	BsSr	Dec	4,410	(3,450)	19.3	(15.1)	8.3	(5.6)
Capital & Counties	n/a	Dec	23,500	(32,400)	10.6	(10.6)		(-)
Computer Management	n/a	Dec	9,520	(9,030)	41.3	(31.8)		(-)
Coventry Build Soc	n/a	Dec	24,700	(21,300)	-	(-)		(-)
Dakota Group	PP&P	Sep◆	1,080 L	(1,180)		(3.3)		(1.1)
Dunedin Income	InTr	Jan	9,220	(10,300)	21.7	(24.9)	25.4	(25.4)
Dunkeld Group	Tex	Nov	2,450	(17,500 L)	3.16	(-)		(-)
East German Inv Tst	InTr	Dec†	636	(3,930)	0.014	(0.08)	0.005	(0.05)
Exeter Preferred	InTr	Jan	219	(-)	0.94	(-)	0.94	(-)
Fairway Group	Misc	Dec	1,510	(1,770)	3.44	(5.14)	3.15	(3.15)
F&C Enterprise Tst	InTr	Dec	533	(1,150)	0.45	(0.96)	0.44	(0.4)
Gartmore Emerging	InTr	Dec	236	(423)	0.3	(0.48)	0.15	(0.13)
Green Property ◆	Prop	Dec	1,830	(1,320)	7.69	(6.02)	3.8	(3.8)
Hewitt Group	Eng	Dec	832	([illegible])	14.8	(11.4)	3.0	(2.5)
Holmes Protection	n/a	Dec◊	4,170	(36,500 L)	23.0	(-)		(-)
Holspur Inv	InTr	Dec	72	(78)	8.5	(9.11)	8.5	(8.5)
ICI	Chem	Dec	384,000 L	(843,000)	-	(78.4)	55.0	(55.0)
Inv Tst of Guernsey	InTr	Dec	2,070	(1,950)	2.16	(2.08)	2.2	(2.04)
London Finance Inv	OtFn	Dec	226	(3,350 L)	0.67	(-)	0.1	(0.75)
London Forfaiting	OtFn	Dec	16,100	(15,100)	13.7	(11.5)	5.4	(7.62)
Low & Bonar	PP&P	Nov	8,100	(21,600)	3.35	(17.04)	9.1	(9.1)
McAlpine (Alfred)	C&C	Oct	3,600	(9,300)	5.1	(14.1)	6.5	(10.3)
Martin Int'l Green	InTr	Dec	857	(1,300)	2.36	(3.3)	2.1	(3.15)
M&G Income Inv	InTr	Oct		(-)	6.13	(-)	5.00	(-)
Micro Focus	Elec	Jan	22,300	(18,100)	108.2	(83.1)		(-)
Murray Int'l Tst	InTr	Dec	19,000	(18,460)	10.9	(11.3)	11.4	(10.9)
National Westminster	Bank	Dec	405,000	(110,000)	12.0	(3.0)	17.5	(17.5)
Newcastle Build Soc	n/a	Dec	13,500	(12,300)		(-)		(-)
Newmarket Venture	InTr	Dec	1,300 L	(778 L)	-	(-)		(-)
Oliver Resources	n/a	Oct◆	184 L	(12,880 L)	-	(-)		(-)
Pacific Assets Tst	InTr	Jan	399	(653)	1.34	(1.73)	1.1	(1.0)
Pegasus	Elec	Dec†	620	(1,510)	7.7	(18.1)	9.0	(12.1)
Peugeot Talbot	n/a	Dec	10,200	(50,800)	-	(-)		(-)
Porvair	Chem	Nov	2,020	(1,880)	11.6	(10.5)	3.0	(3.2)
Provident Financial	OtFn	Dec	44,500	(34,100)	58.4	(46.6)	29.5	(26.0)
[redacted]	InTr	Dec	3406	(3280)	7.74	(7.45)	8.3	(8.3)
Rover Group	n/a	Dec	49,000L◆	(52,000L◆)		(-)	-	(-)
Royal Insurance	InCp	Dec	119,000 L	(373,000 L)	-	(-)	5.0	(11.25)
Scottish Eastern	InTr	Jan	14,210	(12,430)	1.59	(1.41)	1.52	(1.42)
Sedgwick Group	InBk	Dec	58,300	(82,400)	[illegible]	(12.8)	6.0	(12.0)
Shell T&T	O&G	Dec	3.12bn	(2.89bn)	32.5	(24.0)	21.9	(20.0)
Smaller Cos Inv Tst	InTr	Dec	628	(537)	3.19	(2.7)	2.6	(2.5)
SmithKline Beecham	H&H	Dec	1.17bn	(1.0bn)	27.3	(24.0)	8.5	(7.1)
Sterling Tst	OtFn	Dec	1,190	(3,360)	3.9	(10.7)	-	(-)
Sun Life	n/a	Dec	48,700	(41,700)		(-)		(-)
Telegraph	Med	Dec	44,300	(40,500)	23.8	(25.4)	11.0	(-)
TransAtlantic Hldgs	InLI	Dec	60,700	(61,300)	9.93	(14.5)	12.0	(11.8)
Trencherwood	Prop	Oct	21,400 L	(37,700 L)	-	(-)		(-)
Unilever	FdMa	Dec	2.03bn	(1.8bn)	69.14	(61.6)	20.8	(18.9)
Unipart	n/a	Dec	19,100	(14,800)	-	(-)	-	(-)
Wickes	BdMa	Dec	8,570	(8,720 L)	1.9	(-)		(-)
Woolwich Building Soc	n/a	Dec	149,300	(136,400)		(-)	-	(-)
Yeoman Inv Tst	InTr	Dec	3,900	(4,380)	11.2	(12.9)	13.6	(13.6)
Yorkshire Chemicals	Chem	Dec	10,100	(11,000)	18.4	(20.0)	7.05	(7.25)

INTERIM STATEMENTS

Company	Sector	Half-year to	Pre-tax profit (£000)		Interim dividends* per share (p)	
Allied Radio ◊	Med	Sept	1,720 L	(1,570 L)	-	(-)
Amstrad	Elec	Dec	5,610	(11,990 L)	0.2	(0.4)
Ashtead Group	C&C	Oct	1,810	(1,500)	1.13	(1.1)
BCE Holdings	n/a	Spt	168 L	(20 L)	-	(-)
Bellwinch	C&C	Dec	97 L	(385 L)	-	(-)
Channel Holdings	Mtrs	Dec	191	(-)		(-)
Colorgen	Ottl	Dec§	9	(83)	-	(-)
Essex Furniture	Stor	Dec	619	(375)	1.5	(1.25)
European Smaller	InTr	Dec	411	(-)	-	(-)
FII Group	Misc	Nov	3,480	(3,200)	6.0	(5.5)
Fleming High Income	InTr	Jan◊	1,740	(1,880)	1.45	(1.45)
Flogas	Misc	Dec◆	3,300	(2,860)	2.94	(2.94)
Gartmore Value Inv	InTr	Oct	1,450	(1,620)	0.95◆	(0.95◆)
Henderson Eurotrust	InTr	Jan	527	(-)	1.5	(-)
Honeysuckle Group	Tex	Nov	601	(580)	0.75	(-)
Joe Holdings	InTr	Jan	2875	(1864)	2.87††	(1.75††)
Macro 4	Elec	Dec	4,940	(3,830)	6.27	(5.14)
M&G Recovery	InTr	Dec	4,300‖	(-)	1.0◆	(-)
Mulltrust	InTr	Dec	88	(84)	1.5	(1.5)
Murray Income Tst	InTr	Dec	5,620	(5,870)	6.75	(6)
Pacific Horizon Inv	InTr	Jan§	64 L	(1 L)		(-)
Primadona	InTr	Dec	568	(876)	2.0	(2.0)
Regent Inns	H&L	Jan	604	(371)	2.25	(-)
River & Merc Smaller	InTr	Jan	844	(364)	1.25	(1.25)
Roxspur	Misc	Nov	343 L	(1)	-	(-)
Scottish Inv Tst	InTr	Jan♥	3,960	(-)	-	(-)
Shires High Yield	Rits	Dec♥	444	(-)	2.2	(-)
Throgmorton Dual	InTr	Dec	8329	(6926)	1.755§	(1.75§§)
Tottenham Hotspur	H&L	Nov	3,290	(810)	-	(-)
TR European Growth	InTr	Dec	485	(337)	-	(-)
Usher (Frank)	Tex	Nov	843	(585)	2.5	(2.0)
Westminster Health	n/a	Nov	4,300	(2,100)	-	(-)

(Figures in parentheses are for the corresponding period.)
*Dividends are shown net pence per share, except where otherwise indicated. L = loss ◆ = Figures quoted in US dollars & cents. † = This years figures for 17 months. ◊ = Figures for nine months. ‖ = Net revenue. ◆ = 3rd interim dividend ‡ = Figures quoted in German DM. ♥ = 1st quarter figures. ◆ = Figures quoted in Irish pounds & pence. ◆ = Operating loss. § = After tax profits. §§ = 2nd interim dividend. †† = 2nd quarterly dividend.

RIGHTS ISSUES

Ensor Holdings is to raise £1.5m via a 3-for-5 rights issue at 10p.
Howden Group is to raise £31.4m via a 2-for-7 rights issue at 52p.
ICI is to raise £1.3bn via a rights issue.
Yorkshire Chemicals is to raise £24.2m via a 1-for-5 rights issue at 330p.

RESULTS DUE

Company	Sector	Announcement due	Dividend (p)* Last year Int.	Last year Final	This year Int.
FINAL DIVIDENDS					
Abbey National	Bank	Tuesday	3.5	7.0	3.8
Allied Irish Bank	Bank	Tuesday	3.8	4.65	3.8
ASW Holdings	M&MF	Monday	4.5	4.5	3.0
Barclays Bank	Bank	Thursday	8.15	12.0	8.15
BICC Group	Elec	Wednesday	8.0	13.2	8.0
Billam (J)	M&MF	Tuesday	1.64	2.94	1.8
Bilston & Battersea	Misc	Thursday	-	-	-
Boddington Group	B&D	Thursday	2.35	4.25	2.6
Braime (TF&JH)	Eng	Thursday	2.25	6.5	2.25
Brent Chemicals	Chem	Wednesday	1.54	5.8	1.6
Burnfield	Elec	Tuesday	1.65	4.1	1.65
BWD Securities	OtFn	Wednesday	1.3	1.7	1.3
Courtaulds Textiles	Tex	Wednesday	4.2	[illegible]	4.4
Cowie (T)	Mot	Wednesday	1.5	3.37	2.0
CRH	BdMa	Wednesday	2.15	4.3	2.25
Ferry Pickering	PP&P	Thursday	2.1	3.4	2.1
Fisons	H&H	Tuesday	3.3	5.4	3.3
French Property Tst	InTr	Monday	-	-	1.0
General Accident	InCp	Tuesday	9.7	17.05	9.7
Grafton Group	BdMa	Tuesday	2.5	3.75	2.75
Grosvenor Dev Capital	InTr	Wednesday	-	0.9	-
GRE	InCp	Wednesday	4.4	2.6	2.5
Hambro Countrywide	Prop	Thursday	0.05	-	0.05
Harrington Kilbride	Med	Tuesday	-	-	1.5
Inalem	Elec	Tuesday	1.2	1.8	1.3
Kalon Group	BdMa	Tuesday	0.7	1.5	1.0
Ladbroke Group	H&L	Thursday	4.92	6.23	4.92
Latin American Inv Tst	InTr	Friday●	-	0.5	-
Lilleshall	BdMa	Monday	1.5	2.5	1.6
Lloyds Smaller Cos	InTr	Thursday	-	-	1.7
Metal Bulletin	Med	Wednesday	2.4	5.0	2.7
Midland Bank	Bank	Wednesday	1.7	1.7	-
MTL Instruments	Elec	Thursday	1.5	1.9	1.6
Murray European Inv Tst	InTr	Friday	-	0.47	-
Pacer Systems	n/a	Tuesday●	3.0	3.5	3.0
Paribas French Inv Tst	InTr	Friday	-	1.2	-
Pentos	Stor	Thursday	0.7	2.05	0.7
Radius	Elec	Wednesday	0.8	1.8	0.9
Sema Group	Elec	Thursday	1.0	1.6	1.1
Serco Group	BsSr	Tuesday	3.9	8.0	4.5
Slot-Plus	PP&P	Wednesday	3.12	4.0	3.58
Sumit	InTr	Thursday	-	1.25	-
Trans World Comms	Med	Wednesday	-	-	-
TR High Income Tst	InTr	Wednesday	-	0.8	0.8
Unidare	Elec	Thursday	4.1	10.9	4.3
Vival Holdings	Tex	Tuesday	-	-	-
Williams Holdings	OtFn	Thursday	5.0	7.35	5.0
INTERIM DIVIDENDS					
British Data Management	BuSr	Friday	-	1.0	-
Fleming Emerging Mkts	InTr	Wednesday	-	1.2	-
Galliford	C&C	Thursday	0.95	3.35	-
Gent (SR)	Tex	Wednesday	0.75	1.25	-
Hays	BsSr	Tuesday	1.5	3.1	-
Intereurope Technology Serv	PP&P	Thursday	2.0	5.4	-
Linx Printing Technologies	Elec	Wednesday	-	-	-
NFC	Tran	Sunday§	1.3	2.3	-
Norex	Tran	Tuesday	-	2.0	-
Paramount	B&D	Tuesday	-	0.1	-
Pilco Holdings	Elec	Tuesday	3.5	4.25	-
Raine	C&C	Tuesday	2.0	4.0	-
Renishaw	OIMa	Thursday	2.5	4.0	-
Savage Group	Misc	Wednesday	-	0.25	-
Sinclair (William)	Misc	Tuesday	1.7	5.3	-

*Dividends are shown net pence per share and are adjusted for any intervening scrip issue. ◆ = 1st quarter figures. ● = Figures quoted in US cents.
Reports and accounts are not normally available until about 6 weeks after the board meeting to approve preliminary results

FINANCE AND THE FAMILY

Insurance salesmen get a blast

Complaints to ombudsman soar over life policy deals, reports ***Scheherazade Daneshkhu***

THE INSURANCE industry's referee, Dr Julian Farrand, this week blew the whistle on some of the selling practices of salesmen. The annual report of the insurance ombudsman showed total complaints had risen 29 per cent from the year before to 5,576 in 1992. But life insurance cases accounted for a much steeper increase of 41 per cent – more than one-third of his workload.

The ombudsman deals with both general and life insurance and resolves disputes with customers who are unhappy with the way a complaint has been handled by their insurance company.

Farrand attributes the rise in life assurance cases to the increasing complexity of policies and the failure of some salesmen to explain them fully. He said it was "disconcerting" that so many fact-finds – the forms filled in by salesmen or advisers detailing the financial circumstances of a client – were not completed fully.

"It suggests that, in the push to produce a sale, important requirements and needs may be overlooked and an unsuitable product selected by the salesman," he added.

A mother and son were sold two life policies and told they would make a reasonable profit after five years. Since these were whole-of-life plans, they got a shock when they came to surrender them five years later. The agent for the company said she had stressed their long-term nature by drawing a graph for the clients showing their growth over 45 years. But the line showed an increase in returns from the beginning of the policy.

Finding for the clients, Farrand noted: "With the aid of a magnifying glass, one might estimate a return after five years of around 30 per cent."

In another case a young woman had been sold a large amount of life cover. The section on the fact-find asking which aspects of insurance were important to her was left blank.

"When reviewing her complaint," Farrand said, "it was difficult to understand why that amount of life cover had been required. After some investigation, the probable answer became clear – that over-selling was involved."

Sales of inappropriate policies are highlighted by the fact that while the insurance company's decision was revised in only 31.5 per cent of all cases investigated by the ombudsman, this proportion rose to 42 per cent when it came to life insurance. Farrand is, therefore, suggesting a "reverse fact-find" which salesmen would have to complete before the contract was signed. He suggests the customer should ask these questions:

- Whose agent are you?
- How much commission do you get?
- What charges will be made for managing my money?
- Will I do better than with the building society?
- Could I lose money?
- How soon will the surrender value equal the premiums paid?
- Why are you advising me to buy that particular policy/investment?

Allied Dunbar claimed this week that asking a salesman to disclose how much commission he got – a cost which is, ultimately, borne by the customer – was "irrelevant information. It is useless." The Office of Fair Trading has, however, called repeatedly for commission disclosure at a time when the whole financial services industry is under pressure to introduce higher standards of investor protection.

The Prudential said it favoured customers being told the overall expense of the contract and not just the commission. "An insurance salesman could be on full salary or just commission or a combination of the two," said the Pru. "So, a customer who simply asks the rate of commission might be misled by the answer."

Another area which preoccupied the ombudsman was home income plans. In the 1980s, many elderly people wanting to take income out *of their home were persuaded* to take out a mortgage and invest the money in an equity-linked bond.

This was supposed to cover the mortgage payments and give them an income. But poor stock market performance and rising interest rates meant higher mortgage payments and investment losses, pushing many into debt.

In cases where the risks of the investment were not explained properly, Farrand said he would find in favour of the customer. The guidelines he uses for compensation are much better than those employed by the Investors Compensation Scheme, from which home income victims have to claim if the company or independent financial adviser selling them the policy is no longer in business.

Last week, the High Court ruled that the ICS was not acting "irrationally" in refusing to award compensation for distress over home income plans, or for money spent by a victim in *the belief that this was* profit, not capital.

By contrast, Farrand said he expected victims to be returned to the same financial position they had been in before the scheme.

He is also prepared to make awards for distress: one couple was given £3,000 after one of them had a heart attack. In some cases, he will also oblige the insurance company to pay the victim for the costs of taking professional advice. Pressure is, therefore, expected to increase for compensation arrangements for home income plan victims to be equalised within the industry.

The ombudsman awarded a total of £4.5m last year, with the highest amount being £120,000 in a case about building insurance. *He said he was* disappointed that the industry "suffers from some people's apparent inability to recognise that a fraud against it is a fraud against the premium-paying population at large."

Of the general insurance cases, *one involved a claim* where the insurer refused to cover accidental damage for a Nintendo Gameboy, saying it was not a computer as specified under the policy. But, after Farrand consulted the Oxford dictionary, the company agreed to pay out.

■ *The Insurance Ombudsman, City Gate One, 135 Park St, London SE1 9EA.*

ONE OF the outstanding share performers of the past two years has been Electronic Data Processing. Like some of the other stars of the industry, it showed a big increase in its price even when the market was in the doldrums. From *the start of 1991, EDP's share* price raced ahead, from 70p to around 535p now. Chief executive Richard Jowitt has sold 19,160 shares and fellow-director Philip Smith 15,000 – both at 500p.

Over the past three months, shares in Leslie Wise, the textile company, have outperformed the market by 15 per cent in the run-up to final results, announced last week. Profits fell marginally but earnings were maintained. Stuart Leiton sold 300,000 shares at 68p on the same day results were announced.

Haynes Publishing, known best for books and manuals on cars, barely broke even in 1991 but analysts expect pre-tax profits of £3m-plus for the year to end-May. Chief executive Steven Pearce has *sold his entire holding, of* 10,989 shares, at 332p.

Angus MacDonald, Directus Ltd.

DIRECTORS' SHARE TRANSACTIONS IN THEIR OWN COMPANIES (LISTED & USM)

Company	Sector	Shares	Value	No of directors
SALES				
Airsprung Furniture	Misc	10,000	46	1
Boot (Henry) & Sons	C&C	8,000	20	1
Cookson Group	Othl	25,000	49	1
Denman's Electrical	Elcs	30,407	90	1
Elect Data Processg	Eins	34,160	171	2
Filofax	Pack	78,000	63	1
Greenalls Group	Brew	3,200	13	1
Haynes Publishing	Med	10,989	36	1
Henderson Admin	OthF	5,000	47	1
Huntleigh Techlgy	Hlth	2,000	17	1
Leslie Wise	Text	300,000	204	1
Whitbread	Brew	25,000	*119*	1*
PURCHASES				
AAH Holdings	Hlth	2,000	10	1
Acatos & Hutcheson	FdMa	10,000	21	1
Anglo Irish Bank	Bank	90,000	25	1
Barbour Index	BuSe	6,000	18	1
Capital Gearing Tst	n/a	5,000	20	1
Citysite Est CULS	Prop	150,000	30	1
CRT Group	BuSe	53,000	50	1
Filofax	Pack	19,000	15	3
Hopkinsons Holdings	EngG	260,000	83	2
Thailand Intl ADRs	n/a	10,000	$128	1
Ticketing Group	H&L	2,500,000	41	1
Waterglade Intl Hld	Prop	600,000	24	3

Value expressed in £000s. Companies must notify the Stock Exchange within 5 working days of a share transaction by a director. This list contains all transactions, including the exercise of options (*) if 100% subsequently sold, with a value over £10,000. Information released by the Stock Exchange 15-19 February 1993.

Source: Directus Ltd, Edinburgh

Pep firm folds

THE CLOSURE 10 days ago of a Winchester-based unit trust manager, Wessex Asset Management – known best as the inventor of the Pep mortgage: a simple but highly cost-efficient product – highlights both the good and not so good aspects of the regulatory system for financial services.

IMRO, the companies' regulator, detected financial strains within WAM in December. With the co-operation of its management, IMRO and other regulators moved to secure investors' funds before WAM's troubles could come to a head.

These assets – some £500,000 held in a single unit trust called the Wessex UK Growth trust – are safe in the hands of WAM's trustee, the Royal Bank of Scotland, and a new manager – possibly Cannon Fund Managers – is expected to be appointed soon. Despite all this, the affair still has serious negative implications for investor protection.

Terry Moran, WAM's managing director, blames the company's commercial demise on the system's failure to inform the public of the true cost of competing products and, in particular, its apparent inability to make prospective investors aware of the influence commission payments have on advisers.

He said: "It is a fact of life that what is in the best interests of the consumer is not always in the best interests of the salesman. Once people are finally made aware of the commission and charges endowments attract, then Peps will take off." He added: "It's sad, but we [WAM] were five to 10 years too early."

Despite receiving hefty front-end commissions, advisers maintain that traditional endowments are safer than unit trust-based Peps because bonuses cannot be taken back once declared and policy-holders do not, therefore, run the risk of a stock market crash wiping out their savings.

But the number of traditional endowment policies sold is declining and, even where they are recommended, more than 50 per cent of the total estimated return is likely to be paid in a final "terminal" bonus which is not guaranteed and is equally vulnerable to market adjustment.

■ *For further information about WAM, contact Graham Williams at IMRO (tel. 071-628 6022) or John Crichton, Royal Bank of Scotland (071-615 2871).*

Paul Nuki

FINANCE AND THE FAMILY

Investment Trusts

Unloved Electra battles to overcome suspicions

***Philip Coggan** on the performance of a very different financial animal*

ELECTRA is a completely different animal from the other trusts profiled so far in this series: one statistic makes that clear. Shares in some of the popular trusts, such as TR City of London, stand close to asset value, or at a premium; Electra shares are trading at a 34 per cent discount.

What makes Electra shares so apparently unpopular is that the trust specialises in unquoted investments. There have been so many disasters in trusts of this kind – at Drayton Consolidated and Ensign, for example – that investors have become naturally suspicious.

As the graph shows, recent performance has been poor. Net asset value at the end of the trust's last financial year was still below its level at the end of September 1987, and was nearly 20 per cent below its peak at end September 1989. In the wake of that decline and the widening of the discount, the shares have underperformed the All-Share substantially early in the 1990s.

The recession has tended to be the problem. Unquoted companies often are small and concentrated on a particular sector, so they are vulnerable to a downturn in their area. Electra also had investments in many major management buyouts; such companies normally have high borrowings and thus suffered heavily from high interest rates when Britain was in the exchange rate mechanism. And liquidity is a problem; it is difficult to sell a stake in an unquoted company in the middle of a recession.

All these problems have, inevitably, led to questions about the valuation of Electra's stocks. There is normally an element of subjectivity in valuing an unquoted portfolio; and investors have been alarmed by the drastic write-downs of assets announced by other trusts in the sector. What the wide discount on Electra's shares seems to indicate is that the market fears that its valuations might be over-optimistic.

The trust argues that it follows the guidelines set down by the British Venture Capital Association in this field; in its annual report, it cites its "prudent and consistent view" on valuation. Over a third of its unquoted holdings are valued with reference to market prices, it says.

Electra grew out of the old Cable & Wireless company, as a vehicle for holding the group's overseas licences. When C&W was nationalised in 1948, Electra was left as a separate investment company, eventually becoming part of the empire of Globe, once the UK's largest investment trust.

The trust is managed by Electra Kingsway, which also runs a large private partnership fund investing in development stocks. The investment trust takes part in the same deals as the private fund.

Electra is an international trust; it has 34 per cent of its assets in the US, where the recovery seems to have started; and if recovery also comes to the UK, small companies on both sides of the Atlantic will benefit. Lower interest rates have already eased the problems of the more heavily-borrowed companies.

Electra is by far the largest investment trust in the development capital sector, with a market capitalisation of around £370m. Investments are made by five teams of executives (three in the UK, one in the US and one in France) who work for managing director Hugh Mumford; there is a further team of ex-industrialists which monitors the companies in the portfolio.

Because of its concentration in unquoted stocks, private investors may not have heard of many of the trust's 10 largest holdings. At September 30, they were Nimex Resources, Parker Pen, Unipart, German government bonds, Head Insurance, Ryan Group, RJR Associates, Electra Kingsway Managers, Jarvis Hotels, and Orthofix International Investments.

The Parker Pen investment shows how one success can make up for many disappointments in the venture capital area. After selling off various tranches of its holding, the effective original cost of Electra's investment in Parker is just £100,000; the value of its holding (dependent on a bid from Gillette) at end-September was £23.6m.

The question for investors is whether the position of Electra represents a buying opportunity. There are some bullish arguments. For a start, Electra has proved the case for investing in unquoted stocks over the long term; its net asset value has more than trebled since 1982 and it has increased its dividend every year since it was listed in 1976. Furthermore, around 30 per cent of Electra's portfolio is in quoted stocks, which help provide the income to pay the dividend.

In another investment trust, such stocks might be valued on a discount of, say, 10 per cent. That means the effective discount on the unquoted shares is even greater than 34 per cent, and allows for a lot of bad news. But Lewis Aaron, analyst at S.G. Warburg Securities, points out that unquoted stocks tend to be valued on a historic basis. Accordingly, when Electra next values its holdings, it will still feel the impact of the recession. It could be some time, therefore, before the trust's net asset value moves sharply upwards. And while the trust might be good value for the private investor in the long term, Aaron says, there is not much prospect for growth over the next six to nine months.

■ **Key facts**

In mid-December, when the trust last valued its assets officially, the net assets per share were 297p. Its share price on Friday morning was 214p; and County NatWest estimates the discount at 34.9 per cent.

The market capitalisation on Friday morning was £370m and the yield was 4.2 per cent.

■ **Board**

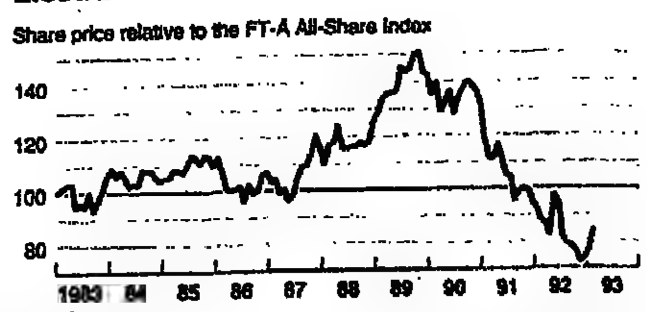
Electra has a large board, with four executive and seven non-executive directors. The executives are Michael Stoddart (chairman), Mumford, Clive Clague and David Osborne; the non-executives include Tom King, the former defence secretary, Lord Vinson, Sir Christopher Wates and Michael Pickard, chairman of the London Docklands Development Corporation.

■ **Savings scheme details**

The minimum monthly investment in the savings scheme is £25, or £250 for a lump sum. Maximum dealing charges are 0.35 per cent. Because of its concentration in unquoted stocks, Electra does not qualify for Pep status.

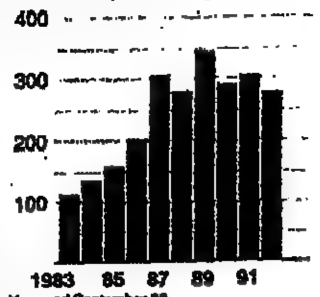
Electra

Share price relative to the FT-A All-Share Index



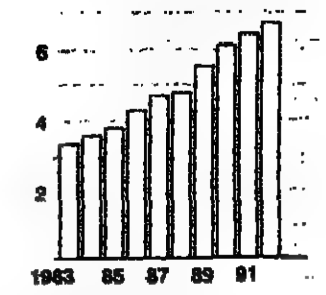
Source: Datastream

Net assets per share (pence)



Year end September 30

Dividends per share (pence)



Own your home tax-free

***Caroline Garnham** ends her series on property and the Inland Revenue*

IF YOU ARE not domiciled in the UK, you will not pay tax on any income or property which you earn or own outside the country. But if you buy a house or property in Britain, you could become liable to UK tax on the money needed for the purchase; on any profit made when you sell it; or if you die while owning it.

There are, however, legitimate ways of avoiding these levies.

If you need to bring in money to buy a house, the best way is to do this before you become UK-resident; then, no tax is due. But if you cannot, there are ways of converting a fund mixed with untaxed income and gains into one that is non-taxable. Examples include setting up a back-to-back loan, making a gift offshore, or creating an offshore trust.

If you have brought in substantial sums of money from a mixed fund, you could be liable to tax already – although it could be difficult to work out how much. In my experience, however, the Inland Revenue is fair in such circumstances and often willing to negotiate if you co-operate.

Once you have decided how to buy your house, you should consider whether you will have to pay capital gains tax if you profit from selling it. If you plan to live there, it could be exempt from tax as your main or only residence. But if you have another residence, anywhere else in the world, you should ask the Revenue to treat your new house as your tax-exempt residence. This request should be made within two years of buying the property; after that, the Revenue could decide not to accept your choice.

If the exemption is not available, you might consider buying the property through a non-UK trust. CGT is not charged on gains made by an offshore trust set up by a non-UK domiciled settlor.

The next thing to consider is inheritance tax. If you are going to buy the house in your own name, or in the name of an offshore trust, then inheritance tax at a maximum rate of 40 per cent will be payable when you die unless you leave the property to your spouse.

If you decide not to do this, or are concerned that you and your spouse could die together, you can take out term insurance, especially if your stay in the UK is unlikely to be long – say, five years at the most.

If this solution fails to suit, you can avoid IHT simply by owning the house through an offshore company. You will then effectively have swapped a UK chargeable asset (your house) for a non-UK, non-chargeable asset (shares) in the offshore company.

In theory, this solution is simple but, in practice, there are disadvantages. You must not, for example, be seen to be managing or controlling the company from Britain. If you do, you will make it UK-resident and defeat the purpose.

Another pitfall is an income tax charge under the benefit-in-kind legislation. The Revenue has said it will levy tax if you live in a property owned by an offshore company if you are either a director (either in name or in effect) or own it. Tax charged is particularly onerous and is based on the cost of the house (if over £75,000) and the rate of interest at the time.

Many tax experts believe the Revenue is wrong to levy this charge; but while the threat is there it should, where possible, be avoided. This usually can be achieved by not being a director of the company and transferring your shares in the company to an offshore trust.

Again, care must be taken over the trust to which you transfer your shares. If you use an existing trust containing accumulated income, you might find yourself being taxed on that income because of the benefit to you of the UK accommodation.

If you want to let the house, the rental income will be taxable since it arises in the UK. This can be avoided by taking out a loan from a UK bank (or an offshore branch of a UK bank – but not a building society) to buy the property.

The interest can then be set off against the rent and the money which, otherwise, you would have used to buy the property can be deposited offshore, generating an income which will be tax-free because it is outside the UK.

There are many ways of avoiding tax, even on UK-situated assets, if you are not domiciled in Britain. But make certain you are not - otherwise you could face a larger tax bill than if you had done nothing at all.

■ *Caroline Garnham is a tax and trusts specialist at City solicitor Simmons & Simmons.*

Correction

In Caroline Garnham's article in the A-Z (T for Trusts) also published today, the table headed "Trust for children or grandchildren over 18" should read "Trust for children over 18 or grandchildren."

A wealth of reading

***Bernice Cohen** picks her best books for DIY investment*

A CRUCIAL element in being a Dimi (do-it-myself investor), running a share portfolio based mainly on my own research efforts, is deciding on my underlying philosophy.

Building a library of books on systems developed by successful investors was one of six practical steps for improving my investment skills. But reading books on other people's philosophy was a good route for discovering what type of investor I am (although during this learning process it was hard to stick to Jim Slater's excellent advice of finding and adopting a good system and then working with it to improve results).

Some of my costliest mistakes arose from trying to copy someone's method without realising it conflicted with my own attitudes. To minimise this mismatch, I make notes on key points in these how-to-invest books. The summaries then form a synopsis of my personal approach to investing.

Every library needs at least one basic reference guide to cope with the jargon and other technicalities of investment. My choice is the *Investors Chronicle Beginners' Guide to Investment* by Bernard Gray (Business Books Limited, 1991). It is up to date and comprehensive enough to answer almost every relevant question.

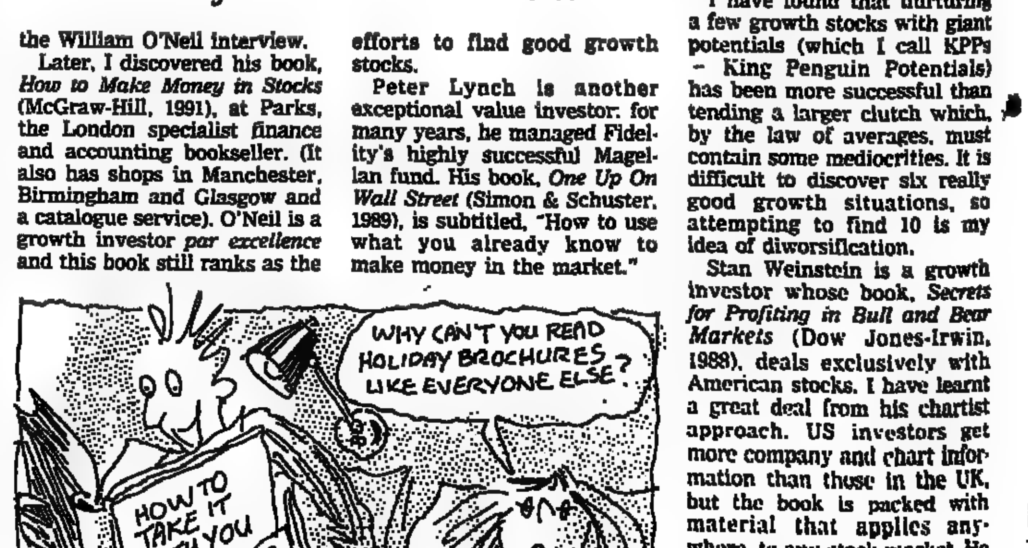
I found Jack Schwager's *Market Wizards* (Harper & Row, 1989) an ideal choice for an introduction to the many different investment approaches. His interviews with 17 top traders contain plenty of philosophical worth. I was attracted instantly to some and wanted more information: in particular, about investing along the lines suggested in the William O'Neil interview.

Later, I discovered his book, *How to Make Money in Stocks* (McGraw-Hill, 1991), at Parks, the London specialist finance and accounting bookseller. (It also has shops in Manchester, Birmingham and Glasgow and a catalogue service). O'Neil is a growth investor *par excellence* and this book still ranks as the one that has influenced me the most.

Another instructive read is John Train's *The Midas Touch* (Harper & Row, 1987). It discusses the methods of Warren Buffett, one of the most successful value investors of our time. Buffett's grasp of company fundamentals is legendary: he buys undervalued situations and waits for the market to catch up.

I do not trust my abilities enough to identify such situations (and lack funds to exploit them, anyway). But this has allowed me to concentrate on investment philosophies that suit my temperament. This has given me the confidence to be a Dimi, relying totally on my own research and analysis efforts to find good growth stocks.

Peter Lynch is another exceptional value investor: for many years, he managed Fidelity's highly successful Magellan fund. His book, *One Up On Wall Street* (Simon & Schuster, 1989), is subtitled, "How to use what you already know to make money in the market."



He suggests that anyone can ferret out good investment opportunities ahead of the professionals by observing local businesses and industries. But my greatest benefit was derived from his analysis of how to pick winners, and his simple explanations of the crucial numbers that make up the basics for stock selection.

His attitude to research is exemplary, and he writes: "Investing without research is like playing stud poker and never looking at the cards."

In *One Up On Wall Street*, Peter Lynch introduces the term "diworsification" to describe companies that stray from their core businesses in search of extra profits – often a disastrous move. I have adopted this word to describe my difficulties in holding a large, diversified portfolio.

I have found that nurturing a few growth stocks with giant potentials (which I call KPPs – King Penguin Potentials) has been more successful than tending a larger clutch which, by the law of averages, must contain some mediocrities. It is difficult to discover six really good growth situations, so attempting to find 10 is my idea of diworsification.

Stan Weinstein is a growth investor whose book, *Secrets for Profiting in Bull and Bear Markets* (Dow Jones-Irwin, 1988), deals exclusively with American stocks. I have learnt a great deal from his chartist approach. US investors get more company and chart information than those in the UK, but the book is packed with material that applies anywhere, to any stock market. He also gives detailed guidance on indicators for spotting the start of a major bear or bull market.

The Zulu Principle (Orion, 1992) by another growth investor, Jim Slater, gives good tips on picking growth shares, but I found the chapter on recovery situations to be most interesting, especially since many such opportunities should arise this year if the economy emerges from recession.

Finally, *Blood in the Streets* (1988) and *The Great Reckoning* (1992) by James Davidson and Lord William Rees-Mogg (Sidgwick and Jackson) give excellent overviews of the political and economic forces which increasingly affect investment strategies.

Although some financial books have a reputation for being hard to read and expensive, I enjoy building my library and feel it amply repays the time involved.

FINANCE AND THE FAMILY

Better to be safe than sorry

***Scheherazade Daneshkhu** searches out the best places to store valuables*

JEWELLERY, cash and cocaine were among an estimated £40m worth of loot hauled away by thieves who broke into a London safe deposit centre in 1987. The robbery – masterminded by an Italian, Valerio Viccei, who went on to write a book about it – made a mockery of safety deposit centres. But such crimes are few and far between and, since insurance premiums on items such as jewellery can be prohibitively high, they are likely to be far safer kept in a bank than at home.

Most of the high street banks provide safe custody services at their main branches but conditions and charges vary. Of the banks quoted, only Midland does not charge an "access" fee – the amount you have to pay every time you go to inspect your box. Banks will not charge for keeping documents obtained through their services, such as a will drawn up by them or certificates for shares bought through them.

You will be required to provide your own box and key but the banks do not want to know what is being kept in it. Insurance is left to the discretion of the depositor – most insurance companies will reduce their rates if you tell them that the items are being held in a bank.

The services offered by Lloyds, Midland and Royal Bank of Scotland are for their own customers only. Rates given by Bank of Scotland, Midland and Lloyds include VAT.

■ *Sealed envelopes.* The annual charge for holding individual certificates ranges from £5 a certificate to £15 but it is much cheaper to keep valuable documents in one envelope. Charges for an envelope, generally no bigger than A4 size, are £5 a year at National Westminster and Royal Bank of Scotland.

The charges at Barclays are £5 a quarter, and £10 a year at Lloyds and TSB. Bank of Scotland charges £2 half-yearly. Midland's charge is £9.98 but there are no charges for access.

■ **Small boxes or parcels.** The cost is £20 a box per year at Lloyds and NatWest and £5 a quarter at Barclays. The minimum charge at Royal Bank of Scotland is £15 a year and £8 per half-year at Bank of Scotland. Midland's fee is £19.97 a year.

■ **Larger boxes or parcels.** The charge is £50 a year at Lloyds and £10 a quarter at Barclays. NatWest is cheaper, with an annual fee of £30.

Bank of Scotland will charge a half-yearly fee of either £16 or £32, depending on the size of the box. The annual cost at Midland is £27.02 for a medium size box and £39.95 for larger boxes.

■ **Access.** Only at the Midland will you escape fees for inspecting your box or envelope. At Royal Bank of Scotland, the charge is £3 a visit to box or sealed envelope, to a maximum of £12 for any visit. Bank of Scotland charges £2 for an inspection, and the fee at NatWest and Lloyds is £5. Barclays says access charges are at the manager's discretion.

If you want more secure facilities, the Midland is able to hold items in safety deposit boxes which are built into reinforced concrete strongrooms at some of its largest branches in London, Manchester and other big cities. You need to be a customer or to have a letter of introduction from another bank.

There are two locks on the box; the key to one is kept by the bank and the other by the customer. But the service does not come cheap. Charges are £67.85 a year for the smallest size of about 2in x 7in x 20in, up to £2,972.75 for what amounts to a small room (7ft x 4ft 6in x 6ft 6in).

The Chancery Lane Safe Deposit Co., which owns the London Silver Vaults, boasts a pedigree dating back to 1882. Access to the vaults is past custodians in cubicles, through a series of steel doors and electronic security devices, and with the help of a password.

Customers have to sign a form declaring they are not storing "noxious substances" and are given the "only key in the world" to their box.

There are 40 different sizes of safe, with annual rental costs ranging from £42.27 to £570.30. There are no inspection charges.

A man, a woman, and the law

MY WOMAN friend and I wish to have a long-term relationship without making any legal commitment. We would pursue our separate careers from separate households but would leave open the long-term possibility of becoming a single household, with or without a formal marriage.

Can our public description of each other create an implied legal commitment? If we referred to ourselves as fiance(e)s, for example, would it be possible for one partner at a later date to argue that, legally, marriage had been implied, or even offered? Would it be advisable to draw up some legal agreement in order to secure the certainty that no legal commitment is in any way created accidentally?

■ While the use in public of a description such as you mention would not, of itself, give rise to any change in your legal status or liability towards each other, the use of the particular expression "fiance(e)" might be relied-on at some future date as evidence to support a claim that there had been a contract to enter into marriage. It would be wiser to use some such term as "partner," which is not indicative of an agreement to marry.

A formal agreement which disavows expressly any intention to become married would help, but it would operate only from the date of the document and would not preclude an assertion that there had been a subsequent change of heart and an agreement to marry.

Q&A

BRIEFCASE

No legal responsibility can be accepted by the Financial Times for the answers given in these columns. All inquiries will be answered by post as soon as possible.

Rental revenue

I OWN AN apartment in France which is let for part of the year. Tax returns are prepared for me by an agency in France and I have received tax demands from Paris, usually two years delayed. This income has been declared to the British tax inspector. My UK accountant maintains I will have to pay UK tax on the rental income, and obtain a refund if and when the French tax demand exceeds the UK demand. Is this correct?

■ France has the prior right to tax your rental income (by virtue of article 5 of the France-UK double taxation convention) and the UK has to reduce its tax demands by the amount of the French tax, broadly speaking, under article 24(a) of the convention. It looks as though your accountant ought to have submitted repayment claims to your UK tax office each time you paid French tax.

The rules are outlined in a free pamphlet, IR6 (Double taxation relief), which is obtainable from most tax offices.

For the purpose of calculating the relief from UK tax to which you are entitled, each amount of French tax has to be translated to sterling at the rate of exchange for the day on which it was due for payment (regardless of when it was actually paid). This will be a quite different rate of exchange from that which was used to translate the relevant rental income, of course, so it is not simply a question of comparing the French tax rate with the rate of tax charged in the UK.

It is a pity that you did not say when the letting started, as that would have enabled us to give you a simpler answer; but your remark about the French tax demands being "usually two years delayed" indicates it started some years ago.

The case V assessment for either the third UK tax year or the fourth presumably was based upon the same rent as the previous year's assessment (viz, the second or the third, as the case may be), so that your accountant will have to claim the special relief provided by section 804 of the Income and Corporation Taxes Act 1988 (or section 510 of the Income and Corporation Taxes Act 1970, if the year in question was 1987-88 or earlier).

If your accountant is concerned about having let time limits slip by, he might find comfort in section 806(2) of the Taxes Act 1988.

Defining earnings

I RECEIVE invalidity benefit. I have a wife who is self-employed. National Insurance directive 16A states that I can claim an extra £32 per week provided her earnings are less than £43 per week. She also has investment income. Does the rule really relate to earnings or to her total income?

■ The leaflet means what it says: "earnings" does not include income from investments.

Time limit on account

I HAVE moved house four times since settling in Scarborough 20 years ago and have used the same pleasant, normally-efficient solicitor each time. But at the end of last year he told me apologetically that, because of an oversight, we had not been charged for our last house purchase in October 1987. We have more or less decided to pay without too much argument but would like to know if there any time limit on presenting a bill for services rendered?

■ There is a time limit of six years from the date when the money first became due, after which the right to recover the money becomes statute-barred. As the fees will not have been due to the solicitor until the completion of your purchase, it would appear that he has realised his error just in time.

Allowance exceeded

I AM A married woman with no earned income. A large part of my unearned income has been paid gross by virtue of me completing the relevant R85 forms. I now find I have exceeded my personal allowance for the present tax year by about £125. Am I liable for tax on this £125 or on all of my gross income?

■ You must, of course, tell each bank or building society that you are not, in fact, entitled to receive interest without deduction of tax (although you thought that you would be, when you signed the R85s). When your tax position comes to be sorted out, after the end of the tax year, you will only actually end up bearing tax (at 20 per cent) on the excess over your personal allowance.

Ask your tax office for the free pamphlet IR10 (A guide for people with savings); this is a new version of IR110 (with a new title), and supersedes pamphlets IR111 and IR112 as well.

HIGHEST RATES FOR YOUR MONEY

	Account	Telephone	Notice/term	Minimum deposit	Rate %	Int. paid
INVESTMENT A/C's and BONDS (Gross)						
Teachers' BS	Bullion Share	0800 378689	Instant	£500	7.00%◆	½Yly
Britannia	Capital Trust	0800 654456	Postal	£10,000	7.30%	Yly
Teachers' BS	Minster 90	0800 378689	90 Day	£1,000	8.10%	Yly
City & Metropolitan BS	Super 90	081 464 0814	90 Day	£25,000	8.00%☐	Mly
Cheltenham & Gloe BS	Best 90	0800 272383	90 Day	£50,000	8.30%	Yly
Newcastle BS	Nova Star VI	091 232 6676	1 Year	£5,000	8.25%	Yly
Chelsea BS	Premier VII	0800 272505	1.8.95	£10,000	8.25%☆	Yly
TESSAs (Tax Free)						
Holmesdale BS		0737 245716	5 Year	£1	8.25%	Yly
Britannia BS		0538 399399	5 Year	£8,300	8.00%F	Yly
Manchester BS		061 834 9466	5 Year	£25	8.00%	Yly
Darlington BS		0325 487171	5 Year	£1	8.00%	Yly
HIGH INTEREST CHEQUE A/Cs (Gross)						
Caledonian Bank	HICA	031 556 8235	Instant	£1	5.50%	Yly
Citibank	Money Market Plus	0800 555884	Instant	£2,000	5.75%	Mly
Chelsea BS	Classic Postal	0800 717515	Instant	£10,000	6.60%	Yly
				£25,000	7.10%	Yly
OFFSHORE ACCOUNTS (Gross)						
Woolwich Guernsey BS	Woolwich Intl	0481 715735	Instant	£500	6.25%	Yly
Portman Channel Isl. Ltd	Channel Isl. Plus	0481 822747	60 Day	£10,000	6.75%	Yly
Derbyshire (IOM) Ltd	90 Day Notice	0624 663432	90 Day	£25,000	7.30%	Yly
				£50,000	8.00%	Yly
GUARANTEED INCOME BONDS (Net)						
General Portfolio FN		0279 462839	1 Year	£50,000	5.20%	Yly
Prosperity Life FN		0800 521546	2 Year	£25,000	5.55%	Yly
Consolidated Life FN		081 940 8343	3 Year	£2,000	6.00%	Yly
Financial Assurance FN		081 367 6000	4 Year	£20,000	6.30%	Yly
General Portfolio FN		[illegible]	5 Year	£50,000	6.80%	Yly
NATIONAL SAVINGS A/Cs & BONDS (Gross)						
	Investment A/C		1 Month	£20	6.25%	Yly
	Income Bonds		3 Month	£2,000	7.00%	Mly
	Capital Bonds G		5 Year	£100	7.75%F	OM
NAT SAVINGS CERTIFICATES (Tax Free)						
	40th Issue		5 Year	£100	5.75%F	OM
	6th Index Linked		5 Year	£100	3.25% + infln	OM
	Childrens Bond E		5 Year	£25	7.85%F	OM

This table covers major banks and Building Societies only. All rates (except Guaranteed Income Bonds) are shown Gross. Fixed = Fixed Rate (All other rates are variable) OM = Interest paid on maturity. N = Net Rate. B = Bond. ☆ = Rate fixed only until 1.7.93. ☐ = Rate guaranteed until 1.5.93. ◆ = Rate guaranteed until at least 1.4.93

Source MONEYFACTS, The Monthly Guide to Investment and Mortgage Rates, Laundry Loke, North Walsham, Norfolk, NR28 0BD. Readers can obtain a complimentary copy by phoning 0692 500677.

MINDING YOUR OWN BUSINESS

IT IS quite a leap from years as a Lloyd's broker to heading a company clearing mines in the semi-desert of northern Somalia. But that is the leap Maurice Brackenreed Johnston has made and already it shows results.

Brackenreed Johnston lost his job in October 1989 when Jardine Insurance Brokers, where he was deputy chairman, was reorganised.

"I had no idea what to do," he recalls. "I was 54, with children at school. I knew I didn't want to work for anyone else again."

Brackenreed Johnston heard that Sir David Stirling, founder of the Special Air Services, was worried about his businesses, one in security, the other fighting rural crime in Scotland. The businesses were beyond saving, says Brackenreed Johnston, but "rural crime sounded fun". He and Sir David formed Rimfire to combat poaching in Africa, but Sir David died from a stroke six weeks later.

Rimfire's first sniff of work came in the Middle East, when it pitched for a contract to train special forces in the United Arab Emirates. The timing was bad. "We put our bid in on the day the Gulf War started and that was the end of it."

Through the ill-fated UAE project, Brackenreed Johnston met a mine disposal expert, Mick Fellows, who soon had a chance to prove his worth.

Aris Grammaticas, a Rimfire shareholder based in Nairobi, reported that two German nurses had been injured by mines in northern Somalia. Both German Emergency Doctors and the French Medecins sans Frontières were keen for the mines to be cleared. Could Rimfire help?

From risk cover to risk taking: Maurice Brackenreed Johnston in Rimfire's London office

Insurer who entered a minefield

David Spark meets a former Lloyd's broker who now clears mines for a living

Northern Somalia has escaped the hunger besetting the south; but it was fought over for 15 years. The war between Somalia and Ethiopia left minefields along the frontier, and in the later civil war against President Barre, mines were sown indiscriminately: under shade trees, by water holes, in houses.

"The people working for me have never seen anything like it, anywhere in the world," says Brackenreed Johnston.

He undertook the Somali contract, he says, out of arrogance and ignorance. He enlisted Fellows's help and did a survey. A professional clearing operation would cost hundreds of millions of pounds. He proposed instead to recruit British ex-service men to train and supervise local people.

Brackenreed Johnston went to see Abdul Rahman, president of the Somali National Movement. "We like the British," said the president. "But if you train these local people you have to pay them."

"But they'll be working for you," said Brackenreed Johnston

"We haven't any money," said Rahman.

Brackenreed Johnston went to the Overseas Development Administration in London. "I'd never even heard of ODA before," he recalls.

He went to US Aid in Washington, to the European Community and to the UN High Commission for Refugees in Geneva which was keen to move Somali refugees from Ethiopian camps. He won a contract worth £1.75m with UNHCR and from US Aid (£490,000), the European Community (£530,000), Medecins sans Frontieres backed by the Dutch government (£350,000) and the ODA (£400,000).

Rimfire usually has 12 red-overalled ex-navy and army engineers in Somalia, who can earn over £40,000 a year. They work two months on, one month off. "It's a pretty rotten and miserable job," says Brackenreed Johnston.

They have trained 440 Somali pioneers who, wearing flakjackets and visored helmets, dig with spikes into the ground ahead of them for mines or for hand grenades, often with the pins missing. The ordnance came from Pakistan, Egypt, Britain, Russia, Czechoslovakia, Italy. It includes SAM missiles, 35ft long, leaking toxic fumes.

One mine is like a vacuum flask top. Another, like a pencil box, is attractive to children who make up many of the casualties. Brackenreed Johnston says that for every soldier hurt in combat by a mine, 30 civilians are hurt by mines later.

The initial idea was to clear the frontier mines so that refugees could go home. However, this simply put them at risk in mined villages, so the policy changed. Brackenreed Johnston says that to make the risk to life and limb acceptable will take five more years.

Hargeisa is 200 miles of bad, hazardous road away from the port Djibouti. Brackenreed Johnston has had to take money there himself, hitching a lift to Hargeisa on relief agency aircraft. Hiring lorries is costly. Rimfire drove its own vehicles to Hargeisa, only for them to be stolen or commandeered by armed locals.

The pioneers, employees of the local government, grumble that their allowances from Rimfire are small. Accidents raise the question of insurance, for which the aid agencies allocated no money. Two pioneers have been killed and 11 hurt in mine accidents and two Rimfire employees have had amputations after explosions. Casualties in shooting incidents have been higher: five dead and 17 injured. Two of the house staff working for Rimfire have been shot and killed.

Brackenreed Johnston says he finds the Somalis difficult to help. From their early teens many carry AK-47s and take the drug qat, brought in by armed convoys from Ethiopia. "The only effective businesses are the drugs trade and Rimfire. There is no work, and the only way to get money is by theft. We are in the middle of this."

Rimfire, apart from its Somali work, has surveyed the minefields of northern Angola and is interested in clearing mines in the Falklands.

Brackenreed Johnston expects it to show a £100,000 profit on a £2.75m turnover in the year to May 1993. Rimfire made £35,000 last year and lost £100,000 the year before when it was starting up. Brackenreed Johnston has financed the business with an overdraft of £240,000 and with £140,000 cash put up by himself and two fellow shareholders in Spain and Kenya.

■ *Rimfire International, 22 South Audley St, London W1Y 6ES. Tel: 071-499-9253.*

Computing/David Carter

Baffled? DTI has an answer

"THIS accounts package does not work! It can't even calculate VAT on my invoices properly." The voice at the other end of the line was accusing: after all, only a few months ago I had recommended the package in question as a Best Buy in one of the Personal Computer magazines.

I asked the gentleman to send me a copy of his disks and some of the faulty invoices. The problem soon became clear. His business was wine retailing where prices are quoted inclusive of VAT. He wanted to invoice a VAT-inclusive *gross* price such as £3.99 and for the computer to automatically calculate net price and VAT. Unfortunately, accounts packages normally expect you to enter the VAT-exclusive *net* price and to calculate VAT and gross. Each method of calculation yields slightly different VAT amounts. He needed both, since some of his sales invoices were for wine in bond which is quoted at VAT-exclusive prices.

Now whether or not this £299 budget package should have offered both methods for calculating VAT is arguable. The important point is that the wine merchant, when he started looking for an accounts package, had no idea that his invoicing requirements were unusual and might present a problem. He thought he just had to go out and buy an accounts package which did invoicing.

When you buy a computer vague objectives such as "I want it to do my invoicing," or "I want it to handle stock control" are not good enough, for at the nuts and bolts level at which computers operate there are endless permutations of invoicing or stock control and you have to know precisely which versions you need. Without a doubt, the key to buying a computer system that works is first to define *in detail* the tasks the computer will be required to carry out. Before looking at solutions, first spend some time defining the problem. This can save you hours of frustration and wasted time later on.

The more effort you put into setting down a detailed specification before you start looking at computers, the easier your search will be. The prospective buyer who starts armed with even a thorough "spec" will have a clear view of what he is looking for, and this helps him keep his eye on the ball as he wades through all the jargon and technical irrelevancies with which the computer vendors will inevitably assail him.

In the computer industry this document is referred to as a "specification of requirements" or "system Specification". Writing one is a skilled task normally performed by a "systems analyst". It requires experience both of business (in order to understand how the current manual system works) and also of computers (how a computer system could replace it). A systems analyst is the key person in any computer purchase since he or she is the only person involved who has an understanding of both areas. Such individuals are rare, and competent systems analysts tend to work for big companies or the more expensive dealers.

For the smaller company that wants to computerise, perhaps the best route is to have its specification of requirements written by a consultant under the DTI Enterprise Scheme.

The Enterprise Scheme applies to individuals, companies or partnerships in manufacturing or services employing fewer than 500 people. The majority of DTI projects are done for businesses with 20 employees or less. Under the Financial and Information Systems Initiative, you can

The key to buying a computer is to define the tasks it will perform

employ a consultant to define your specification for you. The DTI will pay half, or in some cases two-thirds, of the cost. Minimum time for the project is five working days, maximum 15 days.

As a consultant, I invariably get my customers to apply for an FMIS subsidy under the Enterprise scheme. The FMIS Initiative is an important scheme which ought to be more widely publicised. The client is guaranteed a reasonable level of competence (all consultants are screened before they are allowed to go on the DTI register).

One disadvantage is that it concerns itself entirely with producing the system specification which, while essential, is simply a means to achieving an end, that is a working computer system. Make it clear to your consultant at the outset, that you do not just want a big report for your money; you expect the computer to be installed and working. For this a further five days subsidy is available for "implementation guidance."

The first step is to telephone your regional DTI branch for the brochure and an application form. But hurry! The DTI Enterprise scheme is scheduled to end in 1994.

■ *DTI Greater London, call 071-627-7800. For other regions phone the DTI's free Innovation Enquiry line on 0800-44-2001.*

■ *David Carter is an consultant in small business computer systems, tel: 0727-812447.*

A state on the take

■ Continued from page I

Milan operation of the party cost L2.5bn a year and they gave us L100m a year from Rome – Rome did not think we used to win the lottery every month to cover the rest!"

Magistrates have paid particular attention to those running party finances. Vincenzo Balzamo, the administrative secretary of the Socialist party, died of a heart attack last November while being investigated for corruption. His opposite number in the Christian Democrats, Severino Citaristi, has been served with a record ten warrants notifying him that he is under investigation for illegal party finance.

It is far from clear whether private business has been a victim or willing accomplice although companies been touched by the inquiry include Fiat, Pesenti and Ferruzzi.

"The entrepreneurs are desperately trying to demonstrate they were obliged to pay by the politicians," Mongini claims. In Milan, he says, "the parties had an interest in getting the money and the entrepreneurs had an interest in giving it to them. Like couples making love, it was usually by mutual consent." The one charge Mongini denies is that of extortion. Companies paid willingly for the privilege of rigging the bidding process: excluding rival tenders and fixing the price.

This relationship between business and government has been encouraged by the practice in Italy of having private tenders. On average, throughout Italy, two thirds of contracts have been by private tender or have not been subject to parliamentary scrutiny. In this way contracts are easily rigged or rewritten in mid-performance. The lack of transparency and the obligatory inclusion of "commissions" explains why foreign contractors have, on the whole, avoided Italy and why contracts has been costly by European standards.

Mongini says that, of the money he raised, L120m a year went to finance his faction of Milan's Christian Democrat Party and the rest to central funds. He denies enriching himself; but calculates that at least one third of money collected in the "system" was for personal enrichment – "but to prove this you will have look at Swiss bank accounts."

He says the Milan magistrates have been clever, using every weapon at their disposal. They made him feel that they were closing in but kept him guessing for two months. "When I was eventually arrested in June it was like an act of liberation. I understand people have gone to extremes awaiting arrest."

Seven suspects have commited suicide in the past nine months and an eighth fifth was saved by chance this month after having taken an overdose in a parked car.

At first Mongini was convinced that, as a lawyer, he could avoid incriminating himself under interrogation. He resisted for 14 days. Then the ordeal of prison, combined with the realisation that the magistrates had an accurate picture of how bribes were collected, convinced him to co-operate.

The Milan magistrates have exploited their right to keep suspects in detention for three months, and have made a point of arresting those used to the good life either late at night or early in the morning. Release from prison has been on a direct reward basis: once suspects confess. By early this month, 105 of those arrested had confessed.

Mongini observes wryly: "The reception centre at San Vittorio prison has become like the foyer at La Scala – where you see anyone and everyone." But members of parliament have yet to grace its cells. Under Italian law, magistrates must first ask parliament to waive the blanket immunity extended to deputies and senators. This process can take up to five months and the waiver is by no means guaranteed, especially now that parliament feels it is being challenged by the magistrature.

So many politicians are already compromised in the scandal that parliament is in a weak position to take the initiative to prevent the investigations paralysing the Italian state and its institutions. One Milan magistrate, Gherardo Colombo has suggested a pardon on the condition that those who have taken or given contract commissions confess and repay the monies.

Giuliano Amato, the Socialist prime minister, has suggested it is wrong to focus on those under investigation as the sole culprits. Italian society, he says, has been an accomplice in tolerating corruption.

Mongini, who hopes he can avoid a full prison sentence, backs such views and adds. "The public will not accept a simple pardon; and the best thing is for all those in power during this period to recognise that they are no longer acceptable to the Italian people. It is the end of a political class. They must leave the scene – and that includes me."

FASHION

Navy and white: a classic combination cruises on

***Avril Groom** welcomes fashion's equivalent of the first cuckoo of spring*

IN THE shifting world of fashion it is comforting to find a rare constant. As surely as spring follows winter, once the doors have closed on the greyed and fingered remnants of the January sales the store-rails turn blue, intermixed with white and cream.

There are fashion followers who await the first delivery of navy and white as a sign of spring, much as keen bird-watchers record the first cuckoo. Once the clothes arrive, they are inevitably labelled "the nautical look" so it is interesting that, in a year when the mood of fashion is totally removed from the crisp uniformity of that epithet, this colour combination is as strong as ever.

It is an easy look to market in the uncertain weather of early spring, translating as well into the classic shapes and lightweight wools that sell at that time as into the flimsy fabrics of high summer. But the appeal of it goes much deeper than a brass-buttoned blazer. Navy and white is fresh and optimistic after the heavy, dark shades of winter, and embodies the idea of travel in its widest form. The nautical connotation suggests journeying for pleasure to, or on, the sea, which even for the affluent used to be a summer activity rather than an all-year option.

It also appeals to the human penchant for nostalgia for it goes back a long way, to the original bloomered bathing-dress and the sailor-suits and dresses which children wore early this century and which design leader Gianni Versace has now exploited in the striped, sailor-collared shapes of his couture collection for this summer.

By the 1920s travel had become a fashionable end in itself for the monied and leisured, leading to a new genre of clothing, labelled first in America and later in Europe as cruisewear. It is to the heyday of staterooms and dinner at the captain's table that this year's navy and white harks back, to the time when the rich shuttled across the Atlantic with complete suites of Louis Vuitton flat-topped trunks in the hold of a liner.

Cruises now have a different image, requiring rather briefer and more colourful clothing. But as the novelist Robert Louis Stevenson wrote more than 100 years ago: "Young and old, we are all on our last cruise," and recreating some of that lost elegance in the contemporary wardrobe is seductively aspirational – even if we are only cruising to the office, a dinner date or, at best, a villa in Tuscany by charter flight with one holdall.

For this spring's styles, softness and lightness are the keywords

In the retro mish-mash of this spring's styles, inspired by the 1930s and 1940s as filtered by the 1970s, softness and lightness are the keywords. The graceful, fluted lines created by the lightest fabrics, whether bias- or generously-cut, are the gentlest and most flattering way to wear what may seem, after years of power tailoring, an alien way of dressing. Certainly it means giving up to some extent the comfort of more solid fabrics – so this could well be the spring of the thermal vest.

Keep in the mind the elegance of old-style cruisewear and the look will fall into place, from sporty casuals to dinner dress. There is no need to abandon a tailored navy jacket, especially if it has pretensions to the curvy, swashbuckling style favoured by designers Rifat Ozbek and Christian Lacroix, but swap metal buttons for plain covered ones and make sure anything you wear with it is meltingly fluid. A softly ruffled chiffon shirt and layered chiffon skirt is the combination seen most often on the catwalks.

In the same vein, well-cut classic cream or white trousers still look right but are no longer worn with a blazer – try a softly-wrapped jacket or loose silk shirt instead. If you are buying new trousers, choose a loose, soft shape, widening towards the ankle if you dare, in a fluid fabric – crêpe is the season's big hit. The same fluidity applies to dresses, which need a swing in their long skirts, or at least a split to give a similar but sexier effect.

Accessories are important – go for large, soft-brimmed, face-framing hats rather than nautical caps, the new, rounded-looking, platform-soled shoes, and use jewellery sparingly in the form of long, simple bead ropes, plain but chunky bangles or Art Deco-inspired earrings.

But the final strength of this colour scheme is its universality. Some find it works better with white, others with cream, but there is hardly anyone it does not suit at all.

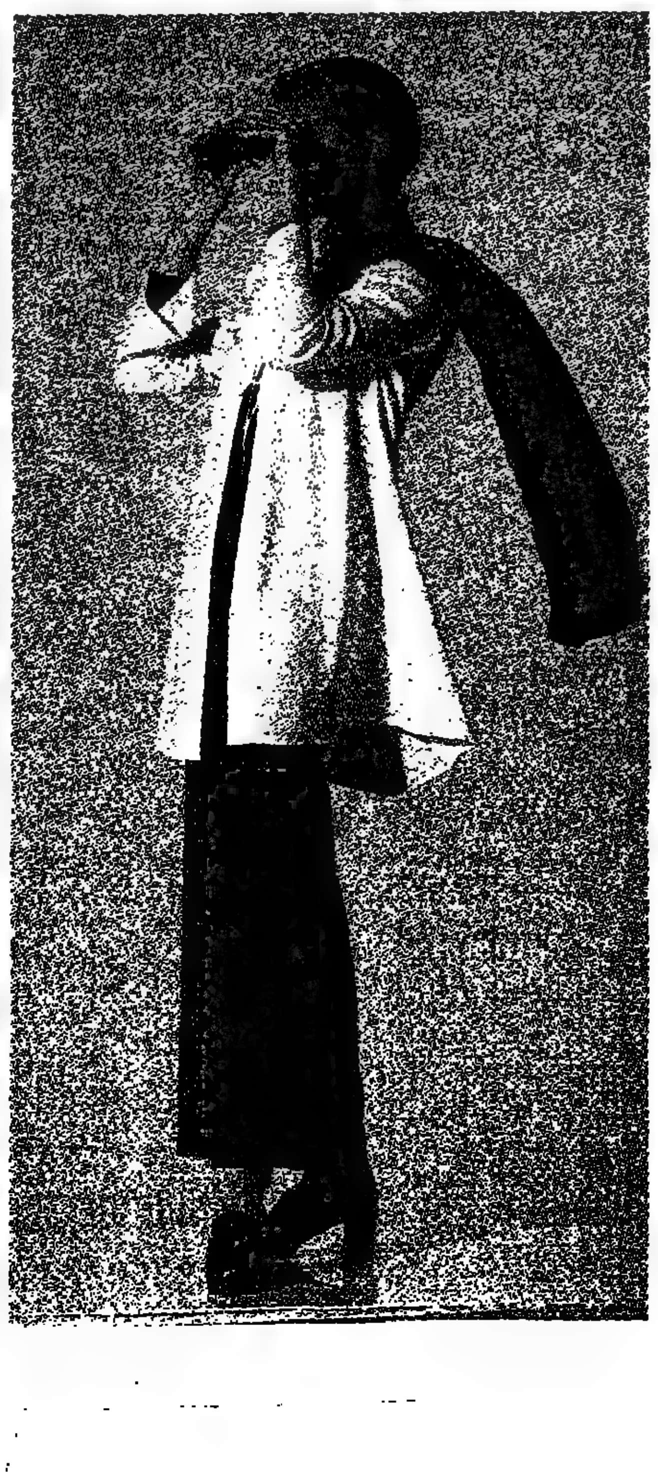
If you go for colour analysis you will learn that there are many shades of navy – picked out for you will be "your" navy, the one that suits you best. Finding that exact shade in the shops will be another matter – but rest assured that some store, somewhere, has the navy wherewithal to give you the elegance of cruising times past.

Top right: Acetate/viscose crêpe jacket (part of suit), £850 from Georges Rech, Sloane Street, London SW1, Harrods, Knightsbridge, London SW1. Rayon/Lycra body by Rifat *Ozbek, £175 from Harvey* Nichols, Joseph, Fulham Road, London SW3, Room 7 of Leeds and Sister of Newcastle. Silk chiffon skirt by Workers for Freedom, £139 from Liberty. Chiffon and straw hat by Peter Bettley, £99 from Simpson, Piccadilly, London W1. Suede sandals, £79.99 from Russell *and Bromley.*

Below left: Acetate/rayon double crêpe dress, £185 from Whistles branches. Straw hat, £105 from Herbert Johnson, New Bond Street, London W1. Pearls from a selection at *Liberty. Clogs, £115 and bag,* £570, both from Gucci, Old Bond Street, London W1 and Sloane Street, London SW1. Vintage trunk from Louis Vuitton. Teak steamer chair, £350 from Past Times *branches or 0993-779444 for brochure.* Hair by Joel O'Sullivan for Terence Renati, *Kings Road, SW3.*

Right: Acetate/rayon crêpe dress by Jasper Conran, £370 from Harvey Nichols, Fenwick, Selfridges, Oxford Street, London W1 and Matches of Wimbledon. Hat, £250 from Herbert Johnson. Wooden bangles, from £8.95 at Liberty.

Make-up by Charlie Duffy. Pictures by John Swannell.



Left: Acetate/viscose crêpe jacket, £149, by Rivero from Browns, South Molton Street, London W1, Harvey Nichols, Knightsbridge, London SW1 (081-610-6994 for further stockists). Crêpe trousers, £46.99 from Next branches. Rayon/viscose knit top by Sportmax, £115 from Fenwick, New Bond Street, London W1. Silk scarf, £99 from Aquascutum, Regent Street, London W1. Shoes, £89.50 from Russell and Bromley.

Above: Wool crêpe jacket, £325 from Aquascutum. Wool trousers, £135 from Burberry, Haymarket, London W1, Regent Street, London W1, Edinburgh, Glasgow and Aberdeen. Deck shoes by Superga, £34.50 from Russell and Bromley. Sunglasses by Byblos, £88, 081-830-0066 for stockists. Earrings, £58 from Cobra and Bellamy, Sloane Street, London SW1 and *Liberty, Regent Street, London W1. Bag, £395 from Louis* Vuitton, New Bond Street, London W1 and Sloane Street, London SW1.

Breaking the secret dress code

***Brenda Polan** on the foibles and follies of fashion etiquette*

THE STORY is claimed by most of London's great hotels but the maitre'd of the Dorchester's grill room swears he was there. It was a busy evening late in the 1960s and a glamorous couple approached the restaurant to claim their table. He was dressed impeccably in a dark suit with well-pressed trousers. So was she. Unfortunately, the prevailing dress code stipulated that trousers were not acceptable attire for women.

Politely, the maitre'd pointed this out. She argued. After all, her Yves Saint Laurent tunic-topped trouser suit was then the hottest thing in fashion. He insisted. Her escort began to look anxious, so the lady turned her back, unzipped her pants, stepped out of them and turned back, now apparently wearing a mini dress. The maitre'd gulped, then grinned and showed them to their table. He even checked her trousers into the cloakroom.

A skirt, it seems, is a skirt even if it merely skims the welt of your tights. Or is it? At around the same time, model Jean Shrimpton discovered that the stewards at Flemington racecourse in Melbourne did not think so. Even today, very short skirts are barred at the Henley rowing regatta. *And there are still some places* where women cannot wear trousers, including the royal enclosure during even the chilliest, windiest Ascot week.

Dress codes often appear irrational, the tool of an old guard fighting a rearguard action against the forces of progress, modernity, good sense and egalitarianism. The new, American-owned Regent Hotel on Marylebone Road has launched itself with a wordy, full-page advertisement which makes just that assumption. "Several hotels in London," it declares, under a photograph of a tail-coated *concièrge*, "are about a hundred years old. Trouble is, their staff behave roughly the same age."

It announces that, at the Regent, you can wear what you like. The London *Evening Standard* took up the challenge with a semi-luminous turquoise, black and orange shell suit. It was met with faultless charm and total acceptance.

The reporter felt like an eyesore, though. And that, according to Lucinda Buxton, press officer for London's famous Savoy hotel – an establishment in the forefront of the "proud to be stuffy" movement – is partly what dress codes are all about. "If you know you are dressed right, it gives you confidence," she says. "It enables you to respond to the glamour of your surroundings – surroundings which a large number of people have worked very hard to make perfect."

There are, of course, two sides to that coin. Those who know the rules and adhere to them feel secure. Those who do not are excluded, sometimes quite peremptorily.

All rules about clothing are designed to be exclusive. Once, when the social pecking order was of greater importance than it is now, they were enshrined in the law of the land. The sumptuary laws made certain that no ambitious member of the merchant or professional classes could deck themselves out in the fabrics, furs and coronets reserved for the aristocracy, so deceiving the unwary as to their station in life.

Formal academic dress still contains remnants of this status system but most dress codes are informal, implicit and subtle – and enforced just as rigorously. Watch any group of teenagers milling around on the pavement outside a popular club and you will see the pariah space isolating the ones who do not look right. Behold the doorkeeper's eyes as they slide over the non-conforming outsiders as if the space they occupy was empty.

The decision on what is appropriate wear tends to be a consensus one formed by the particular group. Those who flout that consensus are, quite rightly, perceived as subversive and escorted to the exit (or, in the commonest case, to the gentlemen's cloakroom where they will be offered a choice of polyester ties and old-fashioned dacron jackets).

"*Women nowadays,*" *says* Buxton, "can get away with almost anything. Except maybe jeans or a shell suit. The strictest rules apply to men." In most of London's "stuffy" hotels – the Savoy, Claridges, the Dorchester or the Ritz – a tie is required only in the evening and in the restaurant, but a jacket is a must at all times except in the upper corridors.

And yet, it can often be a matter of discretion, as all the arbiters of dress codes concede eventually. If one of those utterly chic Milanese men approached the restaurant wearing an Armani jacket, well-pressed jeans, Gucci shoes and a tie-less soft white silk shirt buttoned to the neck, no one would dream of thrusting a soup-stained polyester tie at him. Dress codes do give way before stylishness, fashion, wit and confidence.

In 1965, the Savoy turned trouser-clad pop guru Cathy McGowan away hungry. But, in 1967, it reversed its policy and allowed Lady Whitmore, the Swedish-born wife of racing driver Sir John Whitmore, to eat her dinner unharassed and betrousered. After her, the deluge.

Wit and style does not always work, though. One of the Savoy grill's dearest memories is of the time the mime artist, Marcel Marceau, arrived on the threshold without a tie. On being told he could go no further, he mimed tying a Windsor knot in front of an imaginary mirror. The seated diners applauded rapturously.Marceau was, nevertheless, escorted to the gentlemen's cloakroom to choose his tie.

HOW TO SPEND IT

Lucia van der Post gets to grips with the latest developments in fitness fads and bids a fond farewell to lycra . . .

For healthy bodies – and healthier minds

ONE OF the curious things about the health and beauty business is that most people – four out of five, according to Allied Dunbar's annual report on the physical *state of the nation* – believe that some form of exercise is good for them, but only half of them do anything about it. In other words, most take the classic advice when overcome with the urge to deal with flab – *they sit down until they feel* better. But slowly, more of us are realising that fitness is not only good for us, it can also be fun. It can be about enjoying yourself, meeting friends and colleagues in warm, congenial clubs, and about feeling better, too.

As David Giampaolo, who founded the Espree clubs and now distributes fitness equipment, puts it: "These days the emphasis is much more on health than fitness. It's about exercising in a way that is physically, psychologically AND spiritually rewarding. The idea nowadays is to be energised, not exhausted."

The days of the Jane Fonda mantra, No Pain, No Gain, are gone. High-impact aerobics, exercising till you drop, are out of vogue. In have come low-impact aerobics, stretch and step, yoga, flotation, inline skating, Tai Chi, dance – the key is to *find something you actually* enjoy – then there is a chance that you might stick with it.

Fitness is also big business. The health, youth and fitness business is predicted to be one of the five fastest growing commercial sectors in the next decade – but as in all successful businesses, it needs sharp footwork to keep ahead of the game.

With the emphasis on fun and (sign of the times) stress relief the fashionable way to hone limbs and tone up cardiovascular function is with such *new age concepts as* Step Training, Inline Skating, The Slide Trainer, water aerobics and personal trainers. Crucial, too, are the ancillary servies – aromatherapy, reflexology, massage, the holistic approach that all the best, most advanced clubs now offer.

David Giampaolo was probably the first, with Espree, to see that most 1980s-style British clubs lacked allure. They were spartan and functional; people came, worked out and went *home*. With Espree he made sure that a club was a nice place to be – comfortable, inviting, warm, with a restaurant serving decent food.

Nowadays many clubs are selling the new age message: that you need not suffer to be beautiful and well. The Riverside Club, some of the David Lloyd ones, the medium-market Metropolitan Clubs and lots of small health clubs up and down the UK are all now more inviting to visit than the spartan clubs of yesteryear.

The new Harbour Club at Watermead Lane, London SW6 (tel: 071-371-7700) is not due to open until March 22 but so far is making all the right noises. It describes itself as a multi-sports club with 14 tennis courts (10 indoors), a 4,000 sq ft gymnasium, a 25 metre pool, a crèche, good parking and every sort of class from stretch and step, yoga and dance to flotation tank and a proper restaurant with a serious chef (ex-Halcyon Hotel).

*There is a resaleable membership fee of £1,695 and the monthly full member*ship charge is £86. This lets you use all the facilities free except the indoor tennis courts at peak time for which there is a £10 an hour charge. There will also be off-peak membership of £55 per month and a joining fee of £430 for those who only use the club Monday to Friday from 6.30am to 6pm. Some 900 people have already signed up.

For those for whom those kind of sums are out of the question it is worth mentioning Jamie Addicoat's Fatbusters – wonderful name – classes. When I last looked at the fitness business Addicoat's Fatbusters was running some of the cheapest classes around, at Covent Garden's Jubilee Hall for £2.50 a class. Today prices have risen to just £4 a time.

For that reasonable sum you get Jamie himself, shouting, strutting, urging you on to that (attainable) goal – the lean and trim body. Hours are for serious workaoholics – 7.30 am on Monday, Tuesday and *Thursdays, 7.15 pm on* Tuesdays and 1 pm on Sundays. Classes are held at the Jubilee Hall, 30, The Piazza, Covent Garden, London WC2. Tel: 071-836-4007 for details.

The ultimate luxury (or necessity, depending on *your* point of view), is the personal trainer. Puritanical Britons tend to feel this is the decadent way to fitness but in New York, where personal trainers are nearly as ubiquitous as personal analysts, they are seen as just another sensible use of hard-pressed time. Trainers come in every discipline and though £35 an hour (the average rate at which they come in London) may sound a lot, if you get two or three friends to join it is good value.

My personal preference at the moment is for yoga: muscle toning, increased suppleness and flexibility, not to mention a sense of renewed energy, are just some of the benefits that yoga addicts notice. As evidence of my devotion to my readers I proffer the name of my own much-valued yoga teacher, Lisbeth Russell, tel: 071-431-2668, for those in the *London area who think yoga* may be the thing for them. Otherwise the British Wheel of Yoga Central Office (tel: 0529-306851) has a list of trained teachers in the UK.

For other personal trainers – *whether in low-impact* aerobics, stretch and step, body-sculpting – ring Melanie Reigber at Lifeworks (tel: 081-520-7344) and she will put you in touch with teachers and classes in your area.

If you like keeping your physical inadequacies to yourself and just want to work out *in privacy at home there is* now a vast range of in-home equipment and supporting videos. The Step is currently much in vogue (see caption top right) but the hot coming thing (according to David Giampaolo) is *The Slide Trainer*, which should be in most sports shops in mid-March for £79.

Whereas most exercises work the front and back of the legs the Slide Trainer promises (ah, delicious prospect) to stretch and tone the abductors (the outside thigh muscles) and adductors (the inner ones). It also *tones the medial and lat*eral muscles on the inside and outside of the knee. So there you have it – thinner thighs, stronger knees could be yours.

One last thought. The inescapable fact is that the toned *body, the lithe shape, the inner* tranquillity does not come from the odd hour in the gym or the couple of hours on the tennis court. It depends upon a whole way of life. It reflects what you eat, how you move, how you feel and how you exercise. Nothing is ever quite as simple as it seems . . .

Left, The Step, sweeping the US and going great guns in the UK, is just one of the new-age devices for pleasurable exercise. In the *two and a half years* since it was launched some 1¾m have been sold.

While most of those have gone to clubs and other institutions there are now two versions suitable for those who have neither *the time, the means* nor the taste for communal exercising. The domestic versions mean that even the shyest and most inhibited can deal with their flab and their bulges in the privacy of their own homes, while those of us who are chronically busy and short of time can tone up without having to travel anywhere.

There are two versions, the Step XT, which is 30in long *and has three height* adjustments – 6, 8 and 10in – and costs £59.95. It is primarily used for cross-training – that is swimmers who also run or tennis players who want to get fitter but is an enjoyable way for the rest of us to improve our cardiovascular fitness. The Step 2 is the more usual domestic version; it is 27in long with 4, 6 and 8in height adjustments. It costs £44.95. Both are available from some 900 stores nationwide – in particular the sports departments of *Harrods, Lillywhites and John* Lewis Stores.

They come with an accompanying video which it is absolutely essential to *follow, at least* to begin with. How you stand, the body-line, how you move; it all matters and the video nannies the novice along in a most encouraging way. It aims to leave you bursting with renewed energy, *not* exhausted from effort. As the handsome blond instructor puts it: "You *should* be able to talk at all times and a good test is whether you can sing along with the music." All nice, jolly, enjoyable stuff.

■ Below is the new, laid-back, easy-does-it way to dress for exercising – not a shiny piece of Spandex in sight, colours are muted and low-key and the clothes could as easily be worn for jogging, walking, or any other sport that does not have too serious a dress code.

She is wearing a grey marl/navy fleece jacket, £49.95 worn over comfortable teal blue fleece shorts, £21.99 and *a* navy T-shirt, £9.99. Both by Champion Sport and sold through Champion Sports shops. Her trainers are by Reebok, £39.99. He is wearing a burgundy/navy/grey *tracksuit top, £44.99 with navy* fleece tracksuit trousers by Champion Sports. The navy fleece tracksuit trousers are by Adidas, £29.99. The Nike trainers are £89.99, the converse tube socks, £6.99 for *three, all from Champion* Sport. For your nearest stockist ring 071-636-8040.

Relax, life is getting looser

SO JUST what do you wear for all this new age exercise? Now that it is all meant to be fun not penance, clothes are following suit – they look less as if they are designed only for serious work-outs, and more like general casual-wear.

Hot news from the West Coast of the US (whence most such fashions come) is that body-hugging, muscle-revealing, neon-bright scraps of elasticated fabrics are on the way out. It's bye-bye to the tight, show-off, constricting garb that reveals every flabby inch and hello to loose, comfortable, relaxed, shorts or *sweat pants*.

Bye-bye, too, (and not a minute too soon as far as I am concerned) to the eyeball-searing colours and hello to nice, soft, understated grey, navy and black and white. All the up-to-the-minute sports chains such as Cobra, Champion, Sports Locker and the shops at the smartest clubs are selling this new relaxed gear.

If you want a look that is wonderfully comfortable and yet *has proper gym-cred then, according* to Graham Haines of Sports Locker (17 Floral Street, London WC2 and 53 Pembridge Road, London W11), what you should go for, working from the top down, is a reverse-weave Champion sweat-shirt (£34.99, in lots of colours).

Underneath that you should don a loose Russell Athletic pocket T-shirt, then some cotton-lycra knee-length pants (£34.99, smartest in strongly-striped black and grey), *and on your feet chunky cotton* socks by E G Smith (£10.99) which should be worn slouch-style – in other words, rumpled round the ankles.

These are clothes "with no gender barrier," according to Graham Haines. "Some 80 per cent of our merchandise is made for men but 40 per cent of it is worn by women. These are clothes that you could wear to the gym, on the street, or relaxing at home."

At Cobra, (mail order from 75 Great Eastern Street, London EC2, 071-613-1776) they report, too, that it is "wear what you want time." People are training in army trousers. Baggy light cotton training pants and baggy tops with loose necklines are all the rage. The tops are worn over baggy vests, the sleeves and trousers are rolled up.

Training shoes, it seems, are being swapped for training boots. Big belts and crop tops are optional extras. Lots of customers, though, wear the baggy look OVER a tight lycra outfit – those who have sweated for the body beautiful and having got it are not about to keep it entirely covered up.

What all this means, of course, for the rest of us still hoping to get there, is that now that we can trundle around in nice bulge-concealing gear there is even less of an excuse for not taking those self-same bulges *off to the* gym . . .

Cookery/**Philippa Davenport**

Squeeze yourself a taste of Sicily

I SHOULD be in Sicily this week attending a cookery course, sampling local wines, exploring the markets and rejoicing in a scented snowdrift of almond blossom. Alas, it was not to be, so I am comforting myself instead with the sunny richness of Sicilian *oranges now flooding* into British shops.

There is no shortage of them and prices are reasonable. Most pleasing of all, with their sticky, sweet, shockingly blood-stained juices, are the moros and taroccos. I squeeze half a dozen or so for our breakfast each day, a vibrant *swig to zip us into action on* grey English mornings, and I like to serve these glorious fruits at the end of rich meals for dessert.

For the quickest and most dramatic effect, simply cut each orange, peel and all, from top to bottom into eight wedges, remove the pips with the point of a knife and pile the crescent-moon slices on to a plate. Allow two oranges for every three people.

You might remember, as I do, oranges being served like this at half-time in inter-school games. In those days, we used to save the pieces of orange peel after we had sucked the juicy flesh from them. If you then carved the peel with a *penknife and wore it like a* boxer's gumshield, you revealed a gratifying flash of orange false teeth when you smiled.

I am not suggesting you indulge in such childish pranks at the dinner table. But the simple refreshment can be given a sassy finishing touch *by serving the wedges on a* plate lined with fresh bay leaves, and sprinkling them with a smattering of lightly-crushed fennel seeds. The combination of fennel and orange is lovely, and fennel is well known for its digestive properties.

Another aromatic alternative is to intersperse the wedges with sprigs of rosemary. The blue flowers and silvery green

foliage make a splendid foil for the orange skin and ruby flesh of the fruit and, if the herb is bruised lightly, it will impart *some of its fragrance to the* citrus.

This simplest of all orange salads can be served on its own, or with little biscuits or sponge fingers also flavoured with fennel or rosemary. The *fruit also can be* used as an edible garnish for scoops of blood orange sorbet.

Sweet oranges are suited equally for savoury roles. The Sicilians are fond of combining them with fish, and I rate them highly with small birds such as quail.

POT ROAST QUAIL WITH CARAMELISED ORANGES

(serves 4)

Pot-roasting quail in the juice of blood oranges keeps the little birds beautifully succulent. *Extra fruit, grilled until* slightly toffeed, provides an irresistible garnish.

Ingredients: 8 plump oven-ready quail; 5 thin-skinned blood oranges; juniper berries and bay leaves; 1 oz unsalted or clarified butter; a little olive oil.

Method: Marinate the quail *for a few hours in the juice and* zest of 3 oranges with 8 bruised juniper berries. Turn the birds occasionally.

Dry the quail, reserving the marinade which will have stained them a pale shade of *beetroot. Skewer* each one with a cocktail stick to tuck the legs neatly against the body – this is less fiddly than trussing.

Choose a flame-proof casserole just large enough to take the little birds in a single layer. Heat the butter in it and colour the quail lightly all over. Then, lay them breast down and pour on the marinade. Without waiting for the liquid to become hot, cover the casserole and pot-roast at 375-400F/190-200C (gas mark 5-6) *for 35 minutes*.

Turn the birds breast up and cook for 10-15 minutes more. Then, serve straight away or turn the oven temperature right down: pot-roast quail can be "held" for up to half an hour without spoiling.

Dish up the little birds in a nest of rice or other grain, or sit them on rounds of grilled or fried polenta. *Offer* their gravy (lightly seasoned and strained of spices and zest) in a sauce-boat, and serve with caramelised oranges on the side.

To make these last, cut the remaining 2 oranges, peel and all, into 8 wedges each. Thread on to damp wooden skewers, spacing the wedges well apart and interleaving them with bay. Brush with olive oil and grill for about 10 minutes until the fruit is hot, the peel is slightly toffeed and the bay leaves smell incense-sweet.

PERSPECTIVES

Disaster threatens a natural wonder

Olga Speranskaya on the pollution of Lake Baikal

RUSSIA HAS paid a terrible price for the Soviet tradition of "storming nature" – the idea that air, water and abundant natural resources were there for man to assault violently without thought for the human and economic cost, or the ecological consequences. Starting with Stalin's decision to build the White Sea canal with slave labour in the 1920s, the communists showed an irresistible urge to throw millions of people and vast resources at projects that were nothing but propaganda.

These were designed to impress the Soviet people and the world with the regime's implacable will and its ability to accomplish monumental schemes and gravity-defying feats. For decades, huge dams were built which flooded rich agricultural land to produce electricity for non-existent factories or to irrigate, for example, the mono-culture of cotton in the central Asian republics, desiccating the Aral sea in the process.

Partly to repair this damage, the planners then proposed to create another ecological disaster by diverting the mighty Siberian rivers from their natural courses. Nature has them flowing northwards into the Arctic ocean, draining the Siberian swamps. Instead, they were to be channeled south for thousands of kilometres, raising water levels and leaching salt and minerals from soils as they went. Again, the aim was to irrigate central Asia.

Cost-benefit analyses along capitalist lines were unknown in such projects. Only as the power of the Communist party dwindled in the 1980s did it become possible to question seriously either the economic rationale, or the ecological consequences, of projects which had drained resources for decades and contributed to the grotesque deformations of the economic system.

The collapse of the Soviet Union, and the economy, put paid to the Siberian rivers scheme. But it came too late to prevent the outlay of billions of roubles on one of the world's most improbable railways: the Baikal-Amur-Mainline (BAM).

This runs for more than 2,000 km (1,250 miles) through what was once a world of virgin forest, crystal rivers and forbidding mountains. The politburo decided to build the railway deep inside the permafrost zone where metals snap like twigs, buildings sink, and motors have to be kept running 24 hours a day or they freeze up within minutes.

Like so many Soviet schemes, the idea of driving a railway through some of the world's harshest and least inhabited terrain was dreamed up by Stalin, only to be abandoned hastily when the second world war began. It was resurrected by Stalin's spiritual heir, Leonid Brezhnev, in the 1970s when the idea of building a line through Siberia north of Lake Baikal reflected military concern at the vulnerability of the existing trans-Siberian railway at a time of tension with China.

The launch of the so-called "project of the century" was also accompanied by much loose talk of "unlocking the Siberian treasure chest" and opening up a vast area of Siberia to human habitation. Above all, its proponents argued,

> *Even the stars looked different 25m years ago when the lake began to fill*

the railway would help to exploit the mineral wealth locked up in the mountain ranges through which the heroic tunnel drillers, bridge-builders and track-layers made their difficult and expensive way.

Twenty years later, the railway is still not operating fully and only one of the projected pits, the Japanese-financed and equipped Neryungri hard coal mine, has been built. Some 13m tons a year now flows down a specially-constructed spur of the BAM to be hauled over mountains and steep gradients nearly 1,000 km (625 miles) from Neryungri to the Pacific coast, from where it is exported to Japan. It must be the most expensive coal in the world.

Building the railway – with its nine tunnels, 139 large bridges and viaducts, and 3,760 smaller bridges and culverts over and under fast-flowing rivers and steep ravines – also opened up a vast area for logging and other operations. But logging dislodged thin soils and polluted the rivers, including those which flow into Baikal. The lake is one of the world's wonders and the fight to prevent it being spoiled is among the main concerns of the ecological movement in Russia.

Baikal is unique in several respects. It is the most ancient lake on earth. Whereas the average lake lives "only" 10,000 years, Baikal is 25m years old. Even the stars looked different when its waters began to fill a giant rift in the earth's surface which is still the heart of tectonic activity in the region. Because of shifts in the planet's crust, the lake gains two centimetres in width every year. Now, it extends 636 km (400 miles) from south to north, and is up to 80 km (50 miles) wide.

With a maximum depth of 1,742 metres (5,714 ft), Baikal is, above all, the deepest lake in the world. In surface area it is smaller than the US Great Lakes but, because of its depth, it has 20 per cent of the earth's surface fresh water.

As a closed ecological system, Baikal is famous for its wealth of plants and animals. So far, about 2,600 different species have been identified, of which 85 per cent are endemic to the lake. But Baikal today is not only a collection of natural superlatives – it is a tight tangle of problems and emotions.

The trans-Siberian railway, built at the beginning of the century, runs along its southern shore past Irkutsk, one of many heavily-polluted industrial cities in ecologically-vulnerable Siberia. The construction of the BAM, and the new town of Severobaikalsk more than 600 km to the north, threatened to repeat the degenerative processes in the lake's northern area.

Baikal's purity was first infringed on a significant scale by Moscow's decision to build the Baikalsk cellulose paper combine near the southern end in 1966. Its construction became a catalyst for the fledgling Green movement in Russia, and the debate over the plant developed into the the first legal battle between the communist system and ordinary people.

Among the first to protest was academician Grigori Galazy, now the director of the Lake Baikal museum. But he remains pessimistic about the possibility of effective protective measures. "None of the many decrees and orders to protect the lake were fully implemented," he says. "Every day, the combine discharges up to 250,000 litres of supposedly clean waters into the lake. But these waters, even after the treatment they receive, need to be diluted at least 10,000 times to be considered clean."

Mikhail Grachev, director of the Limnological Institute in Irkutsk, adds: "The main value of Lake Baikal is its fresh, clean water and its value will only grow with time. We must elaborate a concept towards Lake Baikal and strictly follow it. The lake can be used as a fishery resource and treasured as beautiful place for tourism and rest. But, above all, it should be seen and treasured as the planet's well, with crystal-clean waters. We have no right to take any risk and we must preserve it."

Baikal has proved to have a unique and highly-effective ability to clean itself, something that makes it different from other sources of fresh waters on earth. If its eco-system is not overloaded, this process will continue. But building new towns with inadequate sewerage and drainage, and the effect of de-forestation along the banks of the rivers feeding into it, have increased pressure on its self-purification capacity.

One indicator of the pollution is that Baikal's best-known fish, the omul, now begins to spawn at around seven or eight years when it weighs around 180-200 grammes. Before the combine was built, the fish began to spawn at three to four years at a weight of 500 grammes.

The Baikalsk combine is not the only source of pollution, though.

Lake Baikal . . . saving this unique waterway is among the main concerns of the ecological movement in Russia

The Selnge river, the main tributary of Baikal, rises in Mongolia and gathers wastes along its way to the lake. Last year alone, industry in the Ulan-Ude region to the east of the lake dumped 39,000 tons of pollutants into the river.

Sewage treatment in settlements in this area is either too little or non-existent. Only 31 new water-treatment units, out of of 83 planned, have been built and shortage of money means many lack crucial engineering work. Meanwhile, heavy industry along the Angara river, which flows out of the lake, and scores of antiquated thermal power stations burning bad-quality coal add their sulphur and nitrogen oxides to the air pollution.

TO supply industry with electricity, the Soviet authorities also built power stations on the Angara. This had unpredicted ecological side-effects on the lake. Dr Olga Kozhova, director of the biology institute at Irkutsk university, explains. "For millions of years, dozens of species lived in shallow waters and evolved in accord with natural changes in the lake's water level.

"Construction of the Irkutsk hydro-electric power station on the Angara river in 1956 changed the situation dramatically. It raised the water level by a metre and water levels are now regulated artificially, depending on the needs of industry. As a result, inshore fishes such as the yellow-fin Baikal sculpin - a kind of miller's thumb fish – have lost their spawning grounds. Their numbers have dropped sharply."

Faced with growing popular protests, the Soviet government decided in 1987 to convert the Baikalsk combine into a furniture factory by 1993. That will help. But Grachev believes the best way to exploit Baikal in an ecologically acceptable way is to extract, bottle and sell its contents as premium mineral water. The Limnological institute is trying to raise money to build a plant to produce 20m bottles a year, plus ice cubes. "It would would cost $5-10m," he says. "The main problem is plastic bottle production - to ensure they are chemically neutral and safe."

Grachev's plan is one thing. But the real ambition of the Russian Greens is to remove all other industrial plants from around the lake. This, they say, would make Baikal the symbol of the nation's struggle to repair the damage caused by seven decades of profligacy.

■ *Dr Olga Speranskaya, a Moscow ecologist, was the winner of the 1992 David Thomas Prize set up in memory of David Thomas, a Financial Times journalist killed on assignment in Kuwait in 1991. This article is part of her research into Lake Baikal, undertaken with the prize money.*

FOOD AND DRINK

At last, sherry really is

A SERIOUS anomaly in the UK wine world is now being removed. So-called British "sherry," made from imported grape concentrate, has had a diminishing tax advantage over the real thing: sherry made from fresh grapes in the Jerez district of Spain. By the end of 1995, this preference will have been wiped out.

It arose because British sherry was allowed to pay the same tax as table wine, now 95p a bottle. But most real sherry pays £1.68 – and, until this year, £1.88 if between 18° and 22° in alcoholic strength.

More important than the tax, however, is the ruling that, from 1996, the word "sherry" cannot be used in the European Community for wines that have been labelled as British, Irish, Australian or South African sherry. The Spaniards should have won this battle long ago but the British sherry lobby fought to retain the word on its labels.

Moreover, no longer do fortified wines – sherry, port and madeira – have to pay a higher duty of £3 a case if between 8° and 22°. There is now only one rate, which means an initial 5p a bottle off the low-strength wines and an encouraging 30p on the stronger wines, plus VAT. By the beginning of 1996, the duty on low-strength sherries will have fallen by £3.78 a case and by £7.43 on those of high strength – subject, of course, to the actions of the chancellor in the intervening budgets.

These reforms provide, at the right time of year, an incentive to sample the warming old high-strength sherries from Jerez. The amontillados, olorosos and palo cortados from old soleras started many years ago and, unblended with the sweet pedro ximenex (PX) wines, have a concentrated aroma, deep flavour and dry finish that make them delicious aperitifs.

■ Amontillado. Cheap amontillados are no more than sweetened finos, but the genuine article must be at least eight years old before it is transformed naturally. Lighter than olorosos, they also have a long taste in the mouth. Sainsbury has an attractive amontillado that is claimed to have an average age of 35 years (£3.45 a half). A very reputable one is Valdespino's Tio Diego (Wine Society, Stevenage, Hertfordshires, £7.90). Outstanding, however, is Gonzalez Byass's Amontillado del Duque Viejo (Peatling, Bury St Edmunds, Suffolk, £19.49), which is wonderfully rich and concentrated with a bone-dry finish.

■ *Oloroso*. Normally regarded as a sweet wine – with the low-strength Bristol Cream (£5.62 in most supermarkets) being the best known – it can, in fact, provide the most satisfying, concentrated sherry with a dry finish at a very reasonable price.

Safeways has Lustau's excellent, full-bodied dry old oloroso (£3.29 a half-bottle). The Wine Society lists Valdespino's very concentrated Viejo Oloroso (£7.15). Lay & Wheeler of Colchester, Essex, has Oloroso Especial (£7.56) from the reputable firm of Hidalgo.

Wine Cellars, 153-155 Wandsworth High Street, London, includes Valdespino's Don Gon-Zalo Dry Oloroso (£9.69). Philip Eyres of Coleshill, Amersham, Buckinghamshire, lists the distinctive Lustau dry oloroso, Viejo de Jerez (£10.86).

■ Palo Cortado. Between an amontillado and an oloroso in style, this is said to be a one-in-3,000 cask rarity, so any offered cheaply should be treated warily. It has a crisper taste than oloroso. Harvey's has an authentic 1796 Palo Cortado for £9.59 (Wine Society £8.60), while Wine Cellars has Valdespino's Del Carrascal (£9.69). Those looking for something outstanding might try the PP Solera, founded in 1922, from the London department store, Selfridges (£30.99).

Edmund Penning-Rowsell

Try fino to wash down those tapas

Giles MacDonogh samples Andalusian cuisine

THE TAPAS of Andalusia can be delightfully simple, much more so than those prepared in such more prestigious gastronomic regions of Spain as the Basque country or Catalonia. In the very fine Egaña Oriza restaurant in Seville (San Fernando 41, tel. 422 72 54), I had caper pickled on their thick stems with thyme and garlic and the fattest green olives I had ever seen.

The style across the road at the ravishing Alfonso XIII Hotel (San Fernando 2, tel. 422 28 50) was appropriately ornate, the star dishes being those fat, spicy little cocktail sausages called *chistorras*; monkfish marinated in lemon juice and deep fried in batter; and the nuttiest, most delectable of Jabugo hams or smoked loin.

Down on the coast, in the slightly dowdy fishing port of Puerto de Santa Maria, there were razor fish and clams and shrimps cooked in batter. The strangest tapa available was *tigre*, a mollusc which looked like a scaled-down version of an old-fashioned custard cream cornet. Piles of these monsters lay in the cool cabinets of the bars, their heads lolling drowsily out of their shells until, sensing the presence of a hungry man, they retracted swiftly into the false security of their carapaces.

A local speciality are the tiny red mullet, the size of whitebait, which are served in the bars; or fish from the sole family, just 2in long when fully grown, which are consumed whole – bones and all. As a special treat, my host took me to a bar the size of a broom cupboard – then watched with ill-concealed amusement as I ate an anonymous-looking tapa covered in bread crumbs. This was a *criadilla*, or bull's testicle: a great delicacy available only after the corrida.

In Andalusia, the drink favoured for washing down tapas of this sort is a fino sherry or a glass of manzanilla. The fresh, tangy character of bone-dry sherry seems the perfect accompaniment and not just for the fresh sea and shell fish: it also matches Jabugo ham to perfection.

I returned from Andalusia, however, with one question unanswered: what do you eat with the marvellous old solera *sherries, amontillados and olorosos*? So I sought the help of John Bertram, a well-known London chef, and Gonzalez Byass, a company based in Jerez near Sevilla, which is famed justly for the quality of its old soleras.

It came as no surprise to

> *'As a special treat, I was given a bull's testicle to eat'*

anyone that the company's crisp Tio Pepe fino went well with the fishy tapas – bread-*crumbed balls of lobster*; oysters grilled swiftly under the lightest of gratins; red mullet cooked with garlic and tomatoes; whitebait; or a proper Iberico ham from near Salamanca made from the native breed of pig and allowed to munch freely on acorns. Where the fino worked less well was with creamier foods.

The old soleras – the dry Amontillado del Buque with its huge nutty character; the Apostoles, an oloroso with a fine, honeyed sweetness overlaying an excellent bite; and the rich, sweet oloroso called Matusalem – were not destined to be drunk with fish. My suspicion was they would be at their best with Spanish cheeses.

The dry Duque proved the most versatile here, especially with the ewe's milk, Manchego-style Guzman. The Duque was also good with the blue, Cabrales-style Picos cheese with its acid tang but, in general, the tasters prefered the fuller, sweeter style of the Apostoles with the blue cheese. It was also voted the best partner for the meaty, goat's milk Cabra del Tietar, and there were one or two people who found it went well with the Andalusian goat's milk Sierra de Zuheros with its hard, soapy flavour.

The bigger old solera wines proved too flavoursome for the lighter, creamier cheeses. A young Manchego was far better with Tio Pepe (in Spain, Manchego is often served as a tapa with a glass of fino). Nor should it have surprised anyone that the slightly salty, creamy Iberico cheese, made from ewe's milk, should have married so well with the fino - salt and fino seem suited ideally for one another.

Much more difficult was finding a partner for the super-sweet Matusalem. A series of desserts created by Bertram were not ideal. Someone swore by its effectiveness with Christmas pudding; but I felt it should be drunk on its own, perhaps with some dried figs or a few walnuts.

■ *Expect to pay between £6.99-7.99 for a bottle of Tio Pepe and between £19.99 and £25 for any of the old solera wines (while stocks last.*

Oddbins is selling both the Duque and Matusalem at the bargain price of £15.99). Stockists for the cheese include Harvey Nicholls (which also stocks Iberico ham), Harrods and Selfridges shops (all in London); Valvona and Crolla in Edinburgh; and the Fine Cheese Company in Bath.

Appetisers

THOSE restaurants offering less expensive lunch menus as a result of the success of the Weekend FT's "Lunch for A Fiver" include (all 071 numbers unless indicated): Le Boulestin WC2 (836-7061), Dan's SW3 (352-2718), Pomegranates SW1 (828-6560) and Turners SW3 (584-6711), all offering a £9.95 spring menu; 192, W11 (229-0482) £7.50 including coffee; Daphne, NW1, (267-7322) will be serving a £5 lunch until Easter; Gilbert's, SW7, (589-8947) a £5 lunch on Fridays; La Truffe Noire SE1 (378-0621) £10 and Beauchamp's, EC2 (621-1331) £11.75; Brasserie du Marché, W10 (081-968-5828) £7.95; Ming W1 (734-2721) £7.50 ; Alastair Little Bar (734-5183) £10 and will take reservations; The Red Fort, W1, (437-2115) £10; Bistrot 190 bar, SW7, (581-5666), dell'Ugo W1 café (734-8300), Zoe W1 (224-1122) café all £7.50; Newtons, SW4, (081-673 0977) £6.95 but £5 for one week each month; Cibo, W14, (371-6271) and L'Altro, W11, (792-1066) £10 for three courses and The Argyll, SW3 (352-0025) £10 for three courses until Easter.

Markwicks in Bristol (0272-262658) has reduced its two course lunch menu to £8.50 and at Sonny's, Nottingham (0602-473041) it is £9.95 for three courses.

Two new restaurants in the City of London: the Sea-Shell, one of London's most popular fish and chip restaurants, has opened a new branch at No.2 Gutter Lane, Gresham Street, EC2V 8HX (071-606-6961). And the owners of the Sri Siam Thai restaurant have engaged Ken Hom as consultant to help them open their first Chinese restaurant, Imperial City, at Royal Exchange, Cornhill, EC3 (071-626-3437).

TRAVEL FOCUS – FRANCE

Filling Van Gogh's boots

Christian Tyler introduces a special feature on the delights of cross-Channel holidays

YOU HAVE it or you don't. That is what they always tell you. The trouble with this brutal classification is that those of us who don't have it – the majority, I suppose – never think to question a verdict apparently handed down by our genetic code.

So, it was only through the accident of being married to someone who does have it that I found myself last year poised foolishly in front of an easel, palette in one hand, a clutch of brushes in the other, in a remote mountain valley in the south of France.

The scene is engraved in the memory. Above me, the branches of a thorn tree provided some shade. On one side, the stream clattered down its rocky bed to form a pool among boulders streaked with rusty whorls but as smooth and rounded as the back of a bathing elephant. On the other side, grasshoppers skipped about in a field of bracken and violet butterflies zig-zagged over the water. Each evening, the goat lady came, walking her chestnut-coloured flock over the stepping stones to the sound of a clonking bell.

For two days, I stared at that rock pool until I knew every line and contour, every fold and pocket. A painting is never finished, a famous artist is said to have remarked, only abandoned. The thing on my easel looked dreadful and was getting worse. So, I abandoned it.

If you have not picked up a paint brush since the age of 10, you will feel as helpless as a child, stubborn and petulant when things go wrong and pathetically dependent on praise and encouragement. You have to learn to forget yourself, forget what you know about the world, and look. For the world is a different, more concentrated place when you are trying to paint it. It is no longer a collection of familiar objects understood by you but a pattern of shapes and shades which have no purpose other than to defy your efforts to describe them. Learning to paint is the kind of challenge best attempted, it seems to me, in some remote place where there are real painters around to help and sympathise but no other holiday-makers to peer over your shoulder in silent mockery.

On the first day, I was given a large sheet of paper, a stick of charcoal and two erasers. I had to cover the paper in black, then use the erasers to bring the object (in this case, a cane chair) out of the blackness. It was a back-to-front, inside-out way of drawing, and I cannot draw. But it worked. A day or so later, I was sitting in an apple orchard with a box of gouache (more opaque than watercolours and, thus, easier to manage). That sort of worked, too.

So, I demanded to be allowed out with real oil paints – more intimidating but also more liberating – and, after two failed attempts at landscape, produced an unfinished painting, life-size, of a pair of derelict boots (move over, van Gogh) of which I am still desperately proud.

Every year, the number of advertised painting holidays in France or Italy seems to double. Some are organised very well, but most charge more than a novice might be willing to risk for a fortnight in a rural retreat. Our choice was basic, informal and – apart from the cost of getting there – cheap.

The house, in the hamlet of Randavel, is a former silk-worm farm, the size and thickness of a small fortress and typical of that part of France, which the two owners – one of them a painter who teaches at a London art school – are restoring by slow degrees. Living space is at ground level and studios have been created above in the huge, double-storey chambers in which the silk-worms once were reared. We were fed excellently by the owner herself and sat up every night with her, her visiting art students and her Irish-Breton teacher friend from the village, drinking large quantities of local red wine for the equivalent of 42p a bottle.

Her house dominates the hamlet, one of several in the upper reaches of the Herault valley, underneath Mont Aigoual in the Cevennes national park. A few modern villas have grown up along the fast new road, built with European Community subsidy, that runs from the valley mouth at Ganges to the mountain pass at L'Esperou, a small ski resort. But the upper Herault remains a wild area of mediaeval peasant buildings and fierce Protestant sects which has yet to make the transition from silk-farming (destroyed by Japanese competition) to tourism.

At either end of summer, the weather is wild. The winds collect around the summit of Mont Aigoual and whip down the valley in storms of impressive ferocity. In mid-summer, the elevation provides relief from the burning temperatures of the plain below, and the water in the rock pools is sharp enough to take your breath away. The valley sides are steep and stony and covered in oak and chestnut: there are paths to challenge the keenest ramblers, and eagles and *mouffions* to watch.

A few kilometres downstream is the village of Valleraugue with its oddly imposing architecture, two cafés, two restaurants and the usual combination of shops. The towns of Ganges and its more bourgeois sister, Le Vigan, have entertaining weekly markets.

The Randavel Experience is far from *de luxe* but it is comfortable enough – especially now that main drainage has arrived – and authentic to the last clove of garlic. You might even find you have a pair of genes that paint.

■ *Contact Linda Nugent, Hameau de Randavel, 30570 Valleraugue, Gard, tel: 67-82-25-12. Winter number (London): 071-373-0882. Prices by arrangement. Nearest airport: Montpellier. Motorail: Avignon. Suitable for families.*

Wilderness where horses know best

WHENEVER the horses reached high ground, Henri would sing, quietly and exultantly. Years in the French colonial service had earned him early retirement from the drudgery of a Toulouse bank. His great passion was to explore his beloved Languedoc on Brigand, his Roman-nosed bay. And so, at evening, while the rest of us were untacking and grooming, Henri and Brigand would canter off for a solitary hour as the sun set behind the foothills of the Pyrenees.

Henri was not the only one reluctant to turn in after a day on horseback. The Corbières, a remote inland corner of south-west France, is a varied and beautiful region of barren hills, limestone peaks, forests and gorges. Eight years ago, the owners of 12 *gîtes*, or farmhouses, banded together as Les Sentiers du Sud. They offer accommodation and mounts for visitors attracted by the local network of *sentiers*: 800 kilometres of well-maintained paths.

Inntravel, of York, a specialist in independent travel, uses Sentiers du Sud to offer week-long riding holidays. A guide takes groups of six to nine from one isolated farmhouse to another, rarely setting hoof on a road. Self-piloting circuits can be made by really experienced riders, and there is a gentle, confidence-building option for novices.

The stone farmhouses all belong to working farms, some of them as old as the 14th century. Before the depopulation wreaked by this century's wars, some 40 individuals would have lived in crowded squalor at La Bastide, an upland farm beneath the frowning peak of Bugarach. These days, the massive walls shelter just two families: a Catalan activist and the *gîte's* owner, a sheep breeder-cum-jazz musician.

Our guide, Jean-Claude Pons, succeeded in being calmly authoritative without being bossy. He is typical of the Sentiers du Sud crowd in being a refugee from city life. Recent decades have seen an influx of settlers in search of rural simplicity. Tourism apart, the newcomers produce herbs, organic grapes, honey and wild-boar paté. They weave, dye silk scarves, and breed the black Merens mountain horses. But life gets no easier in this wild, barren region and locals complain bitterly of neglect by the bureaucrats in Paris.

Social life lacks sparkle so the *gîte* owners seem genuinely happy to dine with their guests in the evening. Rooms in converted out-buildings are simple and comfortable. Each morning, the saddle-bags are filled with pies of vegetable and wild boar, cheeses, and flasks of red wine. The food is welcome on a ride which can last six hours, across gruellingly steep terrain. The horses are part-Arab, agile and brave, with good mouths, iron legs and no aversion to a gallop. A rider needs to be competent and prepared to accept that, whatever goes on in the covered school in Wimbledon, on the Sentiers du Sud the horse knows best.

On our visit, the days were so lovely, they almost hurt. There were no car fumes, no articulated lorries, hardly a gate. How would it be possible to endure Oxfordshire mud, hostile farmers and murderous drivers again? Here, at least, riders were not the enemy. That rôle was played by Spaniards roaring up the tracks in their off-road vehicles to steal the pink mushrooms called *laiteuses de délice*.

As late as the 18th century, the fortresses of southern Corbières guarded what was still the Spanish-French border. Approached slowly on horseback, the magnificent castles at Arques, Puilaurens and Peyrepertuse are more evocative than ever.

In the castle at Arques, a newsletter for latter-day Cathars offered proof of the romantic, quasi-historical baloney which is such an abundant crop in the Pays de Cathares. The myth is that every castle was a nest of millennarian, vegetarian, free-loving Cathar heretics.

In reality, the castles say more about the rivalries of *seigneurs* rich from dues on wine and wool, and from excursions against the Moors across the mountains. Today, the rise of sentimental Catharism is just one more expression of enduring southern hostility towards the north. Impoverished, yet fiercely proud of its past, the Corbières is a place of rare beauty. Explored on horseback, its solitude seems to enter your soul.

■ *Inntravel is at The Old Station Helmsley, York YO6 5BZ, tel. 0439-71111. 1993 prices for accompanied rides are £660 (including flight to Toulouse), or £560 self-drive.*

Patricia Morison

TRAVEL FOCUS – FRANCE

To the manoir drawn: the lure of old Brittany

Chris Eales discovers some gentle spring retreats at a reasonable price

WHEN MY friends are tired of London, they call me. I live in a manoir, something less than 20 kilometres from the northern coast of Celtic Brittany. British Celts founded this *presqu'ile* in the fifth century AD. Perhaps this is why mainland Britons have a peculiar affinity with the Bretons. At any rate, the Brits camp in droves each summer and the Brets reckon they get on better with them than with the mecs from Paris.

Malheureusement, I tell my friends, there are not enough rooms in this modest, 14th century manoir. It is tucked away in the heart of the Tregor, a tranquil pocket of 900 acres in the Côte d'Armor and bounded by some of Europe's most splendid coastline, right opposite Devon. So, I decided to visit some of the Tregor's many larger manoirs that actually rent out their ancient rooms. All are eminently satisfactory for those who would like a gentle spring retreat at a reasonable price in a place where the land wrestles with the sea.

My journey followed the footsteps and magnifying glasses of many posh architectural antiquarians. Professors have crawled all over manoirs here, some counting the rings of their wooden beams to date them. Nobles built and lived in them more than 600 years ago when Brittany was independent of France. Many manoirs were left to tumble by farmers who acquired them after the Revolution, but plenty have been saved and renovated to a high standard. Their chunky stone walls and towers, used originally for defence, remain a dominant feature.

Bretons say it rains every day and twice on Sundays, but it forgot to rain the day I made my tour; indeed, the sky was bright blue. I got in the car and weaved off along the Tregor's roads, hardly big enough for more than one vehicle. I was heading toward the Chateau de Brelidy, a 16th century manoir with 10 guest rooms. I was soon lost in the wild, raw countryside of browns, greens, high banks, and the occasional grey of an old stone house puffing smoke. Somewhere, a dog barked. Otherwise, it was quiet. I was not in a hurry. Nobody ever is in Brittany.

At the Chateau de Brelidy, I met Hector, a suit of shining armour. I did not know he was a fake until Madame Yoncourt, who owns the manoir, told me. Also on display are stuffed snipe and, oddly, a collection of wedding dresses. Apparently, honeymooners used to stay there. In the hallway, through a glass cabinet, I saw the imprints of a hand on a fourth century drain, dug up in the chateau grounds under the ruins of an 11th century hill fort. Away in the distance were fuzzy tree outlines and the lonely Menez-Bre, at 300 metres the highest point in the area.

Like a dot, the summit is crowned by the tiny chapel of St Herve, a blind saint who climbed barefoot to it centuries ago. Legend says he was asked to advise bishops meeting at the chapel. When he arrived, a bishop thought he was a tramp and mocked him. The bishop suddenly went blind. St Herve found water, even on the hill, and splashed it on the bishop's eyes. He saw again.

You could spend the whole time within the chateau's splendidly restored walls of stone. Madame Yoncourt cooks dinner, a daily choice of Breton dishes. Specialities are *homard a l'armoricaine* (lobster), *palourdes* (cockles) and *belons* (flat-shelled oysters). There is a library and television lounge, even a full-size billiard table. I drank a *demi* slowly before I left.

The Chateau de Kermezen, a smaller manoir, is about 10 km north of Brelidy, close to the village of Pommerit Jaudy. Here, guests eat and drink with the count and countess of Kermel. No need to tremble. The countess treats her guests as her family and she cooks different local dishes each day.

Two stone towers mark its courtyard. One of them once was a *pigeonnier* in which Breton nobles kept pigeons, which they ate; the number depended on the amount of land the manoir held. Hence, the size of the *pigeonnier* tells how important the manoir is. This one is impressive and so are its owners.

The count, who greeted me first, was wearing Wellington boots and carrying a chainsaw. The countess was at the back, digging the garden where the land declines steeply to the river Jaudy and a gorgeous valley. She told me later, as we sat by the fire sipping whisky: "The chateau has been in the family since the 1400s. The villagers returned it to us after the Revolution."

The sea is never more than a 20-minute drive from anywhere in the Tregor

The sea is never more than a 20-minute drive from anywhere in the Tregor but from Plougrescant, at the Manoir de Kergrec'h, owned by the viscount and viscountess Stephanie de Roquefeuil, it is merely a delightful stroll away. In fact, this ivy-clad 17-century manoir (there are four guest rooms) is on the Circuit de La Côte des Ajoncs, an inspiring coastal walk lined by *ajonc*, a distinctive gorse.

A dramatic feature of this coast, called the Côte de Granit Rose after its pink-coloured rocks, is to be found at Tregastel where huge slabs of smooth granite tower over the beach. They have been eroded into intriguing shapes – here a tortoise, there a whale. Their completely irregular angles seem man-chiselled, but this is a perfectly natural phenomenon and free to visitors.

If magnificent sea and country walks, punctuated by a glass of Muscadet and a dozen oysters, are too relaxing, there is always hunting and fishing. All arrangements will be made at any of the manoirs. And, if risking your cash is favoured, there is a roulette table in the casino at Perros Guirec, the chic-est spot on the coast.

■ *Manoirs to stay (nightly rates): Chateau de Brelidy, 22140 Brelidy, tel. 010-33-96956938. Rooms from FFr360, dinner FFr175; Chateau de Kermezen, 22450 Pommerit Jaudy, tel. 010-33-96913575. Rooms from FFr420, dinner FFr170; Manoir de Kergrec'h, 22820 Plougrescant, tel. 010-33-96925606. Rooms from FFr490, dinner FFr180.*

Manoir de Kerguereon, 22300 Ploubezre, tel. 010-33-96389146. Rooms from FFr480; Manoir de Coadelan, 22140 Prat, tel. 010-33-96470060. Gites accomodation from FFr250 a night; Manoir de Coat Nizan, 22140 Pluzunet, tel. 010-33-96358172. Gite FFr1,200 a week.

Taking the waters in Aix-le-Bains

THE PLAYER ran a few paces along the gravel and flicked his boule through the air in a fierce arc. The steel ball glinted in mid-flight before plummeting on to a nest of boules, one of which cannoned into the board at the edge of the playing area. The player smiled and applause broke out among the several thousand spectators.

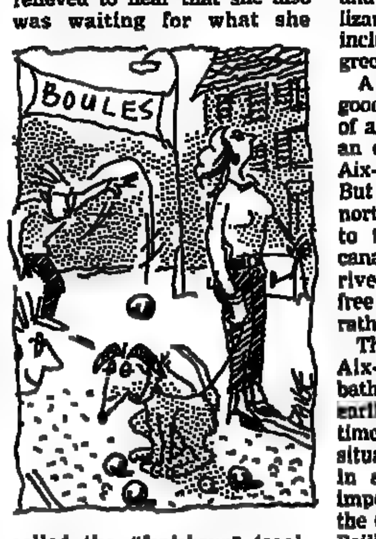
Under the floodlights, half a dozen matches were taking place. The competitors, many dressed in matching shell-suits, either catapulted their deliveries or knelt to roll the boule with a care bordering on tenderness. They seemed oblivious to the rain cascading into the marquee, or the gale buffeting the flaps.

Taking refuge from the downpour, we had gatecrashed the national French four-a-side boules championships in Aix-les-Bains, taking place by the side of the beautiful Lac du Bourget. The surrounding village of tents, selling the local Savoy wines, food, or beer and pastis to quench the thirst of the fans, was a quagmire. Overnight, the temperature had dropped from 31°C to 13°C.

The day before, we had taken a pleasure boat across Lac du Bourget – France's largest lake – to the Abbaye Royale at Hautecombe, which has a magnificent position on a small headland jutting into the water. The abbey, part of which dates from the 12th century, is the burial place of the counts of the duchy of Savoy. The duchy was part of the kingdom of Sardinia for a time but was incorporated into France in 1860.

We sailed from the Grand Port at Aix-les-Bains, where an elegant arch of plane trees on the waterfront esplanade gave shelter from the sun. Swans, coots and mallards fought over the crusty pickings of baguettes thrown from the shore by picnickers. We disembarked by a stone boathouse, centuries old. Until recently, the abbey – restored in the 19th century – was run by the Benedictines; now, a Christian charismatic community has taken it over. In its cool and quiet, we were given hand-held radio sets which, like an unseen guide, directed us past murals and white statues.

There is a café in the garden next to the abbey, overlooking the lake towards Aix-les-Bains. A woman from the community brought our drinks and stayed talking for a while. "The climate is changing," she told us, "Certain kinds of flowers have stopped growing." We were relieved to hear that she also was waiting for what she called the *"fraicheur"* (coolness) to arrive. And, the following day, arrive it did.



Deluges apart, Lac du Bourget and the surrounding flat-topped mountains have much to offer. There are plenty of water sports and rock-climbing: on a walk through the forest past the foot of the sheer cliffs we passed groups of climbers, including a family where the father was coaxing his young son up the rock face. And there is hang-gliding. We saw gliders almost motionless, thousands of feet up in the hot sky, buoyed by the lake thermals.

Although there is little snow in winter – there is a micro-climate by the lake which makes bananas grow – resorts such as Grenoble and Albertville are not far. We found good walks, often with exhilarating views, around the lake although some required us to tramp along roads. The paths weaved through thick woods of pine, oak and beech, meadows, and villages with small-holdings growing grapes, pumpkins, corn, aubergines, walnuts and fruit. Not so exhilarating were the loud and unfriendly German Shepherds that guarded almost every house and farm.

The dry grass of the meadows was dotted with delicate alpine flowers. It also seethed and rustled with cicadas, small lizards and much else besides, including a snake with bilious green spots.

A swim in the lake was a good way to cool off at the end of a hot day's hiking. There is an entry fee for the beach in Aix-les-Bains, at the Petit Port. But at Chatillon, at the quiet northern end of the lake close to the picturesque Savieres canal that links up with the river Rhone, the beach was free and the water warm, if rather slimy underfoot.

The chief claim to fame of Aix-les-Bains is its thermal baths, fed by hot springs. The earliest baths date from Roman times but the modern ones are situated at the top of the town in a vast building, drearily imposing and reminiscent of the Great Hall of the People in Beijing.

In the footsteps of Bonaparte and Queen Victoria, not to mention Verlaine and the 50,000 French who take the waters annually on their national health service, I decided to try the thermal plunge. My wife abstained. The smell of sulphur grew stronger and stronger in the wide, marbled corridors and stairways where the *curistes* – the receptionist referred tartly to me, a once-off user, as a *touriste* – rested on sun-loungers. Afterwards, I felt both refreshed and enervated. The whiff of sulphur remained on my skin for the rest of the day.

Before leaving, we heard that the Aix-les-Bains team had won the boules championship. Perhaps the water had something to do with it.

Stephen Boule

TRAVEL

Waylaid by Dante's little paradise

Nigel Andrews is captivated by Italy's Ligurian Riviera and a pizza at Luigi's

THE Ligurian Riviera is a chain of ambush posts set up by nature in concert with the Italian tourist board. Beautiful Viareggio, elegant Santa Margherita, enchanting Portofino: as dusk falls on your drive along the tunnel-strewn autostrada, it is hard to resist being waylaid. Beguiled by the advertisement for a four-star hotel *sulla mare*, you will find yourself happy and financially impoverished in the morning.

My own favourite watering-place is Sestri Levante. Some guidebooks refer to it, rudely, as the most "commercial" of the Riviera resorts, but it is hardly Blackpool. This exquisite peninsular town, between Lavagna and Levanto, pushes out into the sea and then rises into a park-size bluff at its end. On this verdant promontory, I spent two nights in a suite at the Hotel Dei Castelli with a balcony-cum-roof from which you can gaze down at both Sestri's beautiful shorelines.

If I say that this little paradise once was praised by Dante and Petrarch, you will remark, rightly, that so was every other town in Italy if travel literature is believed. But, in Sestri at least, you see what might have provoked their transports.

The town grows along a narrow isthmus. On one side is the long, commercial beach ending in a huddle of multi-coloured fishing vessels perched under the cliff. On the other side is a perfect crescent of shoreline created by the mainland to the north-east and the promontory to the south-west.

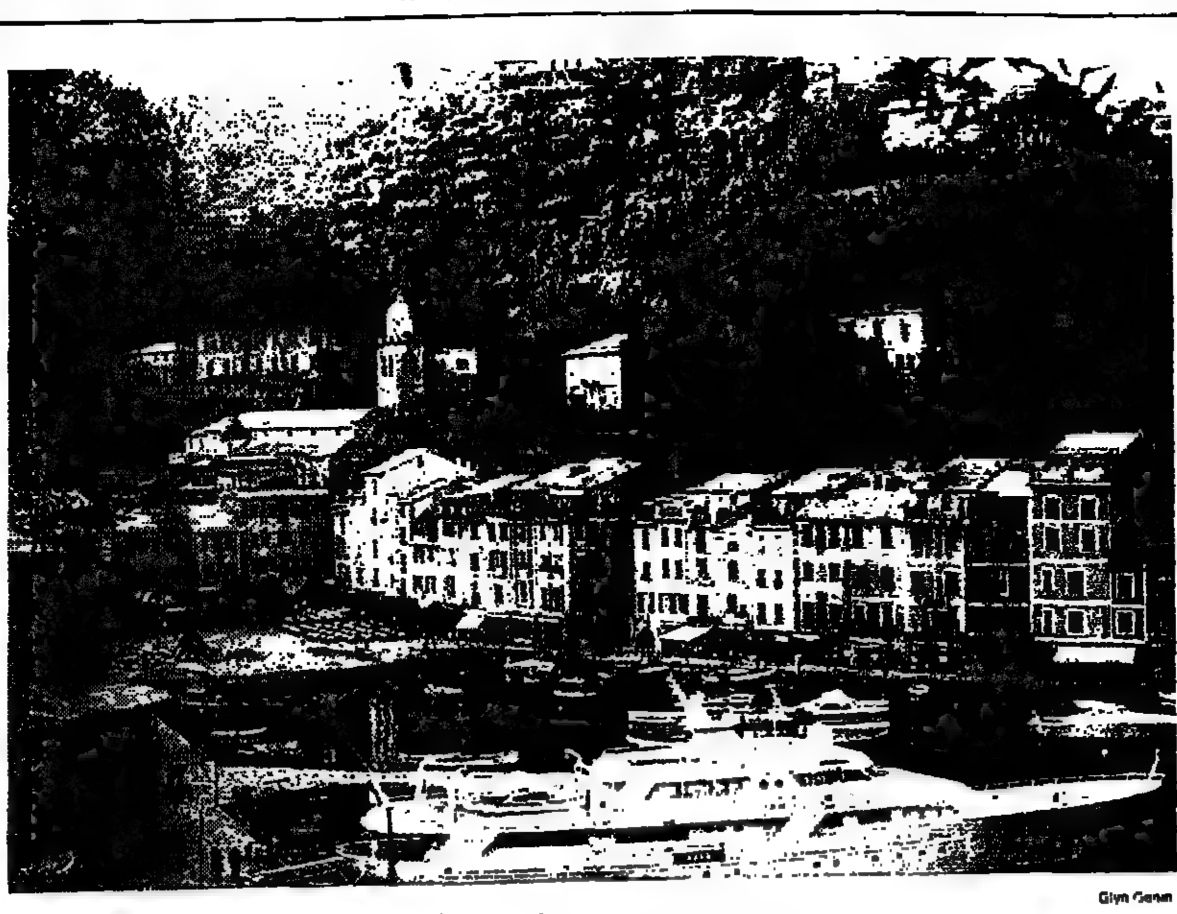
Here, the light is silver, the cliffs a deep, breathing green, and the houses are painted in bright pastel washes. The silence is palpable even when there is noise about: I have never been in a place so mystifyingly serene. If you can bear smallish rooms, the Helvetia hotel, a pretty, white wedding cake overlooking the water, has a superb command of the bay.

You can stroll from one end of town to the other in 30 minutes. Cars are as redundant here as in Venice, although, for canals, read narrow pedestrian shopping streets: upmarket streets, too, as you run the gauntlet of Guccis and Versaces.

Always try to look upwards. This way, you will avoid the lure of the costly shop windows and also notice a Sestri Levante speciality. The houses are painted with patterns: neo-Pompeian swags and flourishes, *trompe l'oeil* imitations of relief work, and decorative "tiling" that is not tiling at all but an artist's mock-up.

Viewed from afar, it all looks like Toytown. It can also behave like that. As in Venice, real life keeps sliding aside to be replaced by stage-set views and seemingly staged incidents.

Surely the 12 Italian women who passed by me on a pavement, singing in perfect harmony some melodic Ligurian folk song, were laid on as a stunt? Surely I did not really see a gaily-coloured plaster dwarf built into the side of an old tree? (I did – my photo album proves it). And what about that seagull that sat in the sand and did not budge even when I approached to stroke it. I was struck by its poetic, ruminative look: perhaps it was the transmogrified spirit of Dante or Petrarch.



Glyn Genin

Portofino: an enchanting stopover on the Riviera's autostrada

The Hotel Dei Castelli – you drive to it up hair-pinning cobbled streets or, if on foot, ascend from the beach by a lift – consists of two crenellated villas set in a large garden. They were built from the rocks of the fallen Genoese castle that once stood here.

Since the rooms are furnished monastically, you should take a suite and send your bank manager a pacifying postcard. My suite provided inspiring views, and more can be obtained by walking around the garden and then around the whole promontory. Only rickety fences prevent you from plunging down thyme-scattered cliffs into a cobalt sea. But enjoy the light, which is Capri-like, and also note the Marconi tower, a small, rude ruin whence the wireless inventor sent some early messages to listening battleships off La Spezia.

It is evening, and I repair to Luigi's for a pizza. This is where Sestri Levante ascends from the magical to the completely uplifting. Luigi's is along the street from the town's other main hotel, the Balbi, with its garden guarded by stone lions and its interior that of a scarce-changed 18th century villa. Have a coffee here after Luigi's, or a drink before, and stroll between venues along a street balmy with night scents. At Luigi's itself, insist on a *pizza diavola* burnt to a near crisp, and irrigate it with some cold house wine.

If you feel the need to get out and about while based at Sestri, visit the Cinque Terre. These are five remote fishing villages lying to the town's east. Once, they were so inaccessible that their inhabitants never saw a tourist and scarcely saw an Italian from another part of the country. Alternatively, drive to Varese Ligure, where a 15th century castle awaits you and where the local nuns make an income from tempting you with *sciuette* (marzipan flowers).

Back in Sestri itself, the only thing you cannot do with ease – be warned – is sea-bathe. There is water everywhere but it is usurped by boats. If you stay at the Hotel Dei Castelli, you can use its bathing facility: a rocky inlet between cliffs. Very picturesque. But time your dip for the brief space of time in which the sun peers, sometimes furiously, into the chasm.

Otherwise, pencil-in bathing for the second leg of your Italian holiday. Sestri Levante is for land-lubbers only: those who like to look at the sea without getting involved too closely.

Snapshot/Rio de Janeiro

Driven to distraction

MUCH in Rio de Janeiro is hard to believe, especially to the first-time visitor. A fairytale destination? Not exactly. Who could believe it possible to find a cab driver in Rio unable to find Corcovada? The massive statue of Christ the Redeemer is perched 2,500ft above the city, visible from every street and square. Better-known, even, than Sugar Loaf mountain.

Squeezed in the back of a sweaty VW Beetle we fumed and eventually had to laugh as our driver, new to Rio, asked directions of incredulous street-smart children at every junction. Of course, the meter was running and we were paying.

However, any connection between the meter and what one pays for a cab in Rio is about as notional as the exchange rate for the Brazilian cruzeira. Any taxi journey has to start with a session worthy of the EC finance ministers. One can sympathise. In a country with annualised inflation running at close to 1,000 per cent, a rate-per-mile agreed at breakfast-time is likely to look meagre by sunset.

For the first-time tourist in Rio – a dwindling species – things can be bewildering. Items are either very cheap or hugely expensive – and quite randomly. Clean, well-appointed hotel rooms overlooking Copacabana Beach for around US$40 a night? No problem.

Admittedly, the hotels are 20- to 25-years-old and in need of refurbishment. But there has been virtually no new building on the famous beach since US tourists – fragile creatures – decided Rio was the wrong side of the tracks. Yet the views and the local colour make the the beach-front hotels a bargain.

Just avoid the telephone. Most visitors learn only as they are checking out of their hotels that Brazil is attempting to pay off its national debt via the tariff for international calls. An item of US$76 for an eight-minute call to Britain certainly lodged in the throat.

Grazing in street cafés is the most economical and enjoyable way to eat during the day. A thimbleful of strong black coffee and a voluptuous pastry layered with cheese and ham will cost the local equivalent of 75p.

While the area two or three blocks back from Copacabana is lively and fascinating, it is also dangerous. Most Brazilian muggers seem keener on goods than violence but they are also thick on the ground. Hardly a day goes by without another unfortunate trailing into the hotel lobby minus handbag or wallet.

One experienced Rio hand told me never to voyage abroad with more than a single credit card, handful of cruzeiras for walking-about money and $20 for emergencies. It came to seem like good advice.

Keith Wheatley

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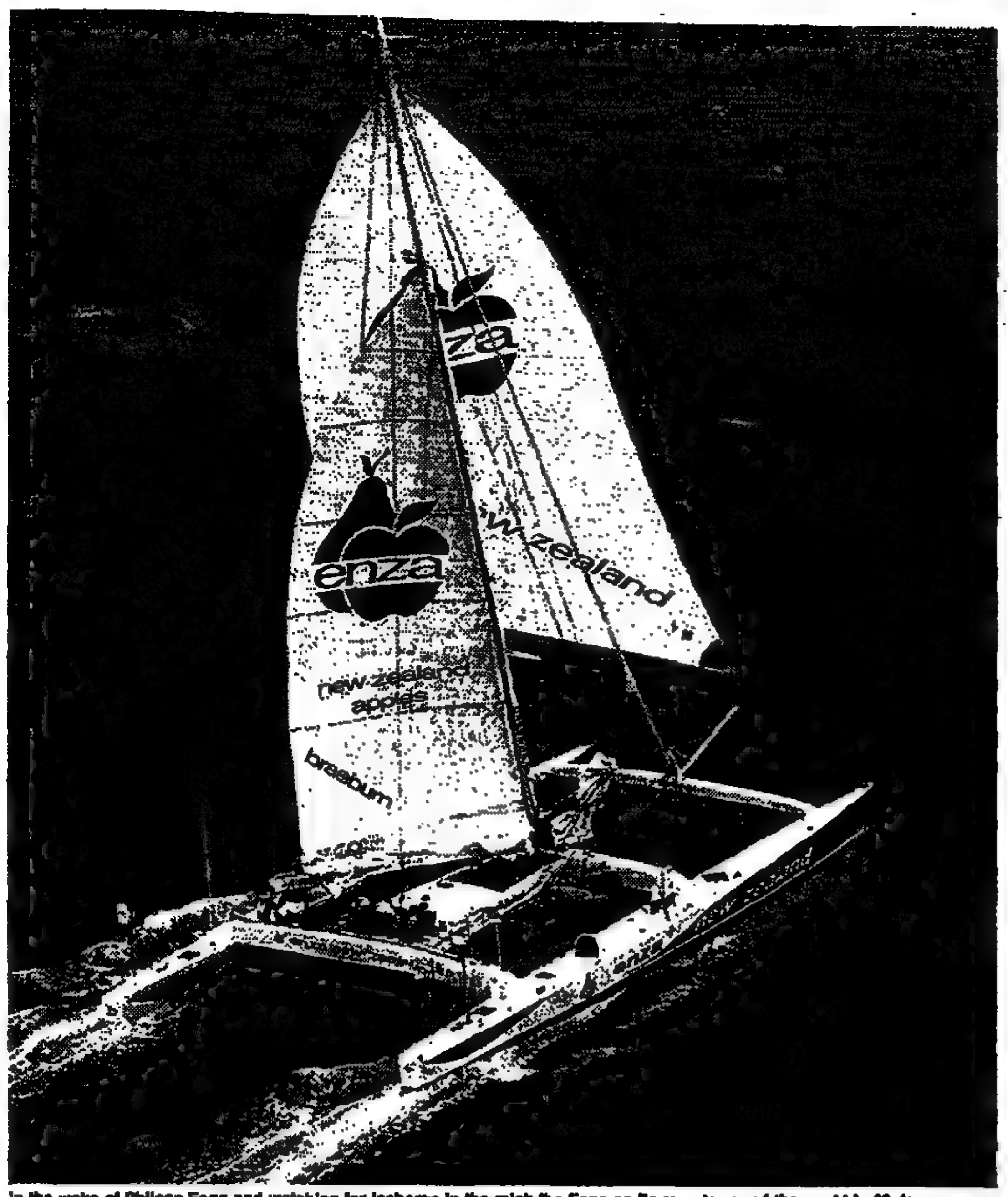
SPORT



In the wake of Phileas Fogg and watching for icebergs in the mist: the Enza on its race to round the world in 80 days

Sailing/**Keith Wheatley**

Deeds of daring on the southern ocean

TRADE wind routes were the international highways of the last century, crowded with traffic. Suddenly, they are thick with sails again, and busier than at any time since the lost days of the clippers. The navigators are yachtsmen, competing in an extraordinary range of *circumnavigations*.

Jules Verne is the inspiration for one of the most gripping events. A trophy bearing the novelist's name is being offered by the French government for any yacht able to sail around the world in under 80 days. Robin Knox-Johnston and Peter Blake, winner of the last Whitbread race at the helm of the giant ketch *Steinlager*, are joint skippers of the 85 ft catamaran *Enza* carrying a crew of five and now 34 days into their attempt.

Earlier this week they logged one 24-hour run of 477 miles, an extraordinarily high average speed of 19.9 knots. "We were hitting 29-30 knots in surges, with the leeward hull frequently hidden by avalanches of green water," Knox-Johnston reported in a late-night satellite call from the Southern Ocean, south of the Cape of Good Hope. "It was the most fabulous but hair-raising sailing any of us have done. It was also a personal record in terms of speed for everyone on board."

The record for non-stop circumnavigation is 109 days, set by solo French sailor Titouan Lamazou in 1989. Lamazou is not ignoring the flurry of attempts upon the Jules Verne trophy. Last week, his new yacht was launched in Venice. At 143 ft, the *TAGHeuer* is the longest racing mono-hull ever built. It displaces 55 tonnes and is big enough to qualify for European Community ship-building grants. It even has a plimsoll line painted on its hull.

Lamazou believes catamarans are not the vessels for high speeds in the southern ocean. One of the *other yachts competing to break the* 80-day barrier, the 89 ft trimaran *Charal* skippered by Olivier de Kersauson, is limping to Cape Town after hitting a "growler" (ice broken off a major 'berg) at high speed.

'We were hitting 29-30 knots, the leeward hull hidden by avalanches of green water'

"Charal's accident confirms the met [meterological] predictions that the ice is well north this year," said Blake from *Enza*. "We'll be keeping a particularly close watch from now on, although your reaction time travelling at the speeds we are is minimal in these big multi-hulls.

"Nobody has done this before, so it is important that we are reasonably cautious. We'll push the boat along pretty fast, but I don't want to be in conditions like the Whitbread race where there's thick fog in among the icebergs, in a yacht averaging 20 knots in big seas."

Convinced that life in the narrow hulls of a catamaran would be unbearable for an extended period at high speed, Blake ordered designer Nigel Irens to create a carbon-fibre "command module" to be mounted between the two hulls. Conditions proved him right.

"I'm speaking from the central pod where it is relatively dry," said Blake. "Outside, it's like living on a half-tide rock. There's so much water about – continual solid stuff everywhere, particularly at speed where it comes off both hulls, off *the central net*, and even from behind. It thumps, bumps, crashes and washes ropes all over the place but we're enjoying the sailing."

So, too, are the 140 crew members racing towards Blake in the 10 yachts of the British Steel Challenge. They left Hobart exactly two weeks ago and are heading for Cape Town. The bottle screws which had faked on the previous leg had been replaced by oversized items of twice the strength. *Group 4 Securitas* is leading but only 30 miles separate the front five, with *Nuclear Electric* still the overall leader.

So far, they have experienced far worse weather than they did off Cape Horn, and this could well turn out to be the toughest leg of the 27,000-mile race. Nevertheless, when organiser Chay Blyth proposed a change to the route to take the fleet further north into the Indian Ocean – warmer and with smaller waves – the crews called for a referendum. Eighty-seven per cent wanted to stick to the original route passing close to the Kerguelen Islands.

"It's nail-biting down here," said Peter Phillips, skipper of *Rhône Poulenc*. "Being three miles ahead of another yacht is considered a considerable 'cushion' at the front end of the fleet. It must be the closest long-distance ocean racing ever. It's like being in dinghies, but here we are at the bottom of the world."

In spite of the huge seas, injuries have been confined to the odd broken collarbone and rib. Times have been tougher among the fleet of largely French yachts taking part in the Vendee Globe solo round-the-world race. Several competitors have drowned, including British helmsman Nigel Burgess and American sailor Mike Plant, and others pulled out through injury.

One was Bertrand de Broc, skipper of *Groupe LG*. He was hit in the face by the boom after a crash gybe deep in the southern ocean. He bit through his tongue, leaving the tip dangling by a thread. But de Broc was so far from help that he had to save his own life.

From 10,000 miles away in France, doctors telexed de Broc instructions that he must stitch the tongue himself to avoid infection and possible death from blood poisoning. Using a mirror and local anaesthetic, de Broc managed to insert three stitches as his yacht bucked along at over 10 knots.

The operation succeeded – but it shows that, however hi-tech the "command modules" and whatever the speed of the boats, in long-distance ocean racing one rule always applies: "no guts, no glory."

Trotting/**Garry Booth**

Losing money on a Welsh Ben Hur

"NUMBER 13 has come off his legs, pull him down will you Mr Lloyd?"

THIS curious instruction can be heard echoing from a tinny loud speaker across the purple heather-tinged hills of the Black Mountains during the spring and summer. It tells you the trotting races are close by. Trotting is a form of driven horse racing, in which the pony pulls 9st 7lbs of driver in a two wheeled sulkie. It is popular with gamblers around the world: but it could not be better set than under the black belly of rain cloud, in rolling mid-Wales.

Certainly, if betting is a mug's game and psychiatrists are right when they say gamblers only achieve fulfilment in chucking money away, you may as well be ignorant of the workings of the sport when you do it. For the naive punter, these Welsh meetings, often held on remote farmland sequestered for an afternoon, are almost surreal in their impenetrability.

At my first meeting I placed a modest "£1 to win" with a bookie whose slip bore the stamp, "M. O'Hair, Cardigan". Would that the names of drivers were as distinct. Heats for the Penybont W C I Eggerton Memorial Perpetual Challenge Cup (Heat winners: £50; second: £10) included six Davies (three from Merthyr, one each from Newcastle Emlyn, Penybont and Plwmp) five Jones, and three Lloyds.

The meetings are run by the Wales and Border Counties Racing Association. The association does not follow what Val Jones, its secretary, calls "Jockey Club rules". The British Harness Racing Club, the umbrella body for a more organised version of the sport, is negotiating affiliation with the Jockey Club. It describes the mid-Wales racers as "flappers" and wants nothing to do with them.

At a WBCRA meeting the scene resembles a pocket production of Ben Hur. The tubular framed chariots, seemingly held together by baling twine and silage, churn noisily around the short circuit pressed against the wire which marks out the short course. The drivers – men, women, boys and girls – are penalised or "pulled down", for allowing their ponies to break out of a trot, which is when they "come off their legs".

Betting is a haphazard business given the scope for baulking, accidental or otherwise, on the crowded course. *Often* the on-course bookies will refuse to give odds on a competitor which is considered a certainty – if it finishes first they pay winning bets on the second placed horse. However, I have never seen such a pony win. To add to the difficulty, the drivers need not be tugged around the mile in a sulkie. A lone trotting pony may be saddled in the conventional way, giving the impression that its rider has somehow gatecrashed the event and, unencumbered, has an advantage. Bitter experience has proved otherwise.

Staggered starts are used in all the races and the programme shows the majority of competitors to be classified as "Go" and the remainder owed one, two, three or four seconds depending on their records. To the untutored observer the ponies appear to start and finish in a clump – but not to Colin Davies, commentator and all-round controller, who oversees proceedings from the superior vantage point of a flatbed trailer parked among the rusting Suburu and Lada 4WDs of the spectators. (There are few shiny Landcruisers or Discoveries here and you will find scarcely a Barbour in the sea of sensible tweed beside the track.)

Davies provides coded illumination to the punters ("Oh and he is going a good little pony!") and, with the help of an invisible factotum known as Yanto, the on-course supervision. One wonders how Brough Scott would cope with the combined responsibility of judging and commentating on the race, describing the whereabouts of the *ambiwlans*, organising the drivers as well as coordinating the best turned out pony prize.

Apart from the gratification of throwing your money at the bookies and gorging on Welsh lamb burgers, what is the appeal of trotting?

"You get addicted to it," says Jones. "There's the thrill of the running and it is *so* pretty to watch. We find that people will follow one horse from meeting to meeting. Aside from the betting, it is also a lovely family day out."

■ *The mid-Wales trotting season runs from March to late September. A programme of meetings is available from Val Jones, 1, Saint Cynidr Villas, Glasbury on Wye, Hereford, HR3 5NN. Tel: 0497-847-603.*

Motoring/**Stuart Marshall**

Help for the careful driver

ONE OF motoring's minor scandals is *the way some drivers* use a breakdown scheme as a substitute for servicing their cars or even keeping them in safe running order. According to Tony Dunlop, managing director of one of the leading operators, Europ Assistance, genuine roadside breakdowns are quite rare.

He says many demands for help are from the kind of people who call out motoring organisations two or three times each year because of flat batteries, flat tyres or empty tanks. This puts up membership costs for responsible subscribers who check their tyres now and again and do not *ignore a low fuel warning* light. "Many considerate drivers feel they are subsidising other motorists' negligence and not getting value for money," Dunlop adds.

Coincidentally, the AA has just put out breakdown recovery statistics confirming the point made by its Europ Assistance rival. Almost 9 per cent of AA breakdown call-outs are due to faulty batteries. This does not include batteries that went flat because lights had been left on and could be recharged; they account for another 6 per cent. At fault are batteries so far gone that the only answer is a new one.

Every AA and RAC patrolman has stories of members calling them out to start cars with flat batteries and then, as an encore, expecting the equivalent of a free 15,000-mile service. And, for some time, the motoring organisations have black-listed members who make totally unreasonable demands on their services.

This week, Europ Assistance has bitten the bullet and introduced Select, a breakdown service for responsible motorists who do not run neglected cars with dud batteries, almost-empty tanks, and tyres that have lost most of the tread.

Europ Assistance says Select is only one-third of the price of the average motoring organisation's breakdown service. For £35 a year (or £65 for two years, £95 for three) it provides *round-the-clock* comprehensive breakdown cover including hotel expenses, car hire and so on. One or two extra cars can be covered for only £35 a car for three years.

If Select subscribers do run out of fuel or lock themselves out of their cars, all is not lost. Europ Assistance still rides to the rescue but charges the motorist "at cost" according to nationally-agreed rates.

Another breakdown scheme for the thinking car-owner is offered by the Guild of Experienced Motorists. For £17.95 a year (plus £12 annual membership), GEM covers the full cost of breakdown recovery or roadside repair, including up to £35 spent on getting a car going at a member's home.

Members pay the bill and then claim on GEM, which works through 1,500 approved garages linked to a 24-hour help-line. but do not call if your driving licence has been endorsed for a serious motoring offence. GEM is heavily into road safety and wants only caring, conscientious motorists as members.

■ An independent survey revealed this week that the law requiring tyres to have 1.6mm pattern depth continuously round 75 per cent of the tread width is being treated with contempt. Up to two-thirds of tyres removed for replacement are worn beyond this limit. Fifteen per cent are damaged so badly that they are blow-outs waiting to happen.

■ *Europ Assistance Select, tel: 0444-442-211.*

■ *GEM, tel: 0342-825-676*

Get a grip on wheelspin

AN INCH of snow, or a muddy car park, can bring any car to a wheel-spinning standstill. A four-wheel drive is the conventional, expensive answer.

A low-cost alternative is a pair of plastic Autotrax ramps, heavily toothed on both sides to grip both ground and tyre. Slip their thin ends under the drive wheels, *accelerate gently* and they will give enough traction to get a car going. Do not forget to go back for them – they cost about £30 a pair and will be in the shops soon. *Call 0285-885-201 for details.*

■ Nothing is more difficult to fit into a car than a bicycle. For those daunted by the thought of lifting cycles on to roof-racks, Paddy Hopkirk has a universal rear cycle carrier holding up to three bikes. It can be fitted without tools (and without marking the paint) to almost any car, but must be used with a number plate or trailer board if the driver is to stay within the law. About £50 from motoring shops or call 0525-850-800.

PROPERTY

So nice to be beside the seaside

*Water views remain a big selling point, as **Michael Hanson** discovers*

MARINE Drive at Barton-on-Sea, Hampshire, is the typical seaside address on the south coast of England. It began in the 1930s as ribbon development along the clifftop road between Lymington and Bournemouth, filling the gap between Old Milton and New Milton with houses and bungalows enjoying views across Christchurch Bay and the Solent to the Needles in the east and Old Harry rocks in the west.

There are always houses for sale here at the best of times, but these days there are more than usual, often placed with more than one agent in the hope of attracting more interest. One such is 7 Marine Drive, built recently in what the owner calls the "English Riviera style," with white stuccoed walls, round-headed windows and red-tiled roofs. This five-bedroom home is on offer at £295,000 through Lane Fox's Bournemouth office (tel: 0202-557 766) and the New Milton office of Murray & Morris (0425-638 656).

A few doors away, at 12 Marine Drive, is one of the original 1930s' properties. Mullion Cottage is a four-bedroom, tile-hung house for which Murray & Morris is asking £299,000.

The same agent has several other houses on its books in Marine Drive and its extensions east and west, including one five-bedroom property in Marine Drive West that has just been repossessed for the second time in 18 months. At £175,000, it is clearly the bargain of Barton.

"The second-home market dried up in 1988, but the cachet of a sea view has held good right through the recession," says M&M's James Murray. "The greater supply means that a purchaser can pick up a good buy when it comes round. At Marine Prospect, a new development on the site of the Red House Hotel, two-bedroom flats start at £85,000."

Stephen Noble, of Lane Fox, agrees about the importance of sea views, but adds: "Many flats and houses in Bournemouth are now changing hands at figures that are, in some cases, half what they were at the peak."

Some of the best houses in Bournemouth were built on the Cooper-Dean estate on the West Cliff. Many of these have been converted into flats but one of the original houses, built in 1910, survives: Strath Avon, in West Overcliff Drive, now a comfortable four-bedroom house with two self-contained flats for staff, family or visitors. Offers of £595,000 are being invited by Lane Fox and the Wimborne office of Savills (0202-887 331).

Poole is to Bournemouth what Hove is to Brighton - the quieter resort. One of the best addresses in Poole is Sandbanks, a peninsula dividing the harbour from Poole bay where the Bournemouth office of Savills (0202-298 585) has what it calls "marine residences" at prices up to £1m.

Another good address is Canford Cliffs, where Savills has a three-bedroom bungalow at £395,000. Lane Fox and Savills also are agents for Saltings, a new development on the clifftop in Cliff Drive, where three-bedroom flats are for sale from £236,000-285,000.

In the Lymington area, some of the most expensive properties are being offered by Paul Jackson (0590-674 411). He is asking £595,000 for the five-bedroom Lea House, in seven acres, which was on the market at £900,000 in 1991 and has views across the Solent to the Isle of Wight.

At Old Bosham, in West Sussex, unsuspecting motorists who park on the front and return to find the water lapping around their car soon discover that this is where King Canute failed to command the waves. One of the four-bedroom modernised fishermen's cottages in Mariners Terrace is for sale at £180,000 through Henry Adams & Partners, of Chichester (0243-533 377).

Richard Etherington, an unconventional agent at Petworth (07985-222), publishes a chatty newsletter called *The Nibbler* in which he detects "some small sign of recovery in the market" with buyers competing against each other again. If this is so, can gazumping be far away?

He is offering a four-bedroom house at the end of a cul-de-sac close to the beach on the private Middleton estate at Middleton-on-Sea, near King George V's recuperative Bognor Regis. Built in the 1920s, but extended and modernised by the owners, Etherington says it is "priced to sell" at £245,000.

There are seaside properties for sale all over Britain. A computer search by Bedrock International (071-351 2625), an up-market new agency in Chelsea that acts for buyers, produced 46 coastal properties at prices from £195,000 to £4m.

The cheapest was Highbury, a four-bedroom Victorian house at Northam, north Devon, with views across Bideford Bay, for which the joint agents are Strutt & Parker at Exeter (03892-215 631) and Kevin Bright of Bideford (0237-473 241). The most expensive is the 2,090-acre Burnley Hall estate on the Norfolk coast at Somerton, where William H. Brown is agent (0603-610 281).

Also on Bedrock's search list is Sheringham Hall, in Norfolk, a National Trust house designed in 1812 by Humphry Repton who also laid out the 700-acre park and woods that run to the sea. As the trust's agent, the Norwich office of Savills (0603-612 211) is seeking £1m for a 90-year lease of this well-restored house with six acres of gardens.

The trust also wants a buyer for Signal House, a former Lloyd's signal station on the Lizard peninsula in Cornwall which has been converted into a four-bedroom house. Offers over £85,000 for a 99-year lease are invited by the trust's regional land agent, Peter Mansfield (0208-74 231).

Marine Villa, built in the 18th century as a dower house on the Duke of Hamilton's Archerfield estate at Dirleton, close to Muirfield, Scotland, inspired Robert Louis Stevenson to write *The Pavilion on the Links*. Offers over £800,000 are being sought by Hamptons in Edinburgh (031-220 6665).

Regency Cottage, on the Esplanade at Sandgate, Kent, is a six-bedroom house, listed for its architectural and historic interest and said to have been built in 1822 for the army officer responsible for building the south coast's martello towers and other Napoleonic defences. It is priced at £295,000 from the Folkestone office of Cluttons (0303-850 422).

North End House at Rottingdean, Sussex, is where the late Enid Bagnold, author of *National Velvet* and other books, lived with her husband, Sir Roderick Jones, who was chairman of Reuters, the news agency. Their five-bedroom house opposite Rudyard Kipling's is for sale at £525,000 through Humberts at Lewes (0273-478 828). There is a staff flat, a cottage, stables, and grounds with direct access to the south downs.

But Britain's seaside begins and ends at Brighton, where Fox & Sons (0273-686 148) has several flats for sale in converted Regency buildings on the seafront in Marine Parade, Kemp Town, at prices from £47,000 to £129,950. Simon Francis, manager of the Kemp Town office, says: "The peak time for buyers is the spring and summer - so we are expecting a revival in the market now."

A link with Napoleon . . . Regency Cottage at Sandgate, Kent, for sale at £295,000

What chance a pink Belgravia?

***Gerald Cadogan** on how the look of London may change under new owners*

WILL THE Housing and Urban Development Bill, now in the House of Lords, change the look of London?

This is an issue that will affect millions of people who live in, work in and visit central London. The reason the city (or at least most of it) looks so smart is not government intervention, but the high standards of maintenance shown over many years by some of the old, private property estates.

If they lose ownership of their houses and flats to leaseholders who are empowered to enfranchise under the new Bill, will that mean that the end of the white (in fact, often magnolia) stucco of central London, repainted every three or four years? Is it the end of smart black railings, or lawns mown in stripes? Will Belgravia, Chelsea, South Kensington and Regent's Park sprout magenta doors, lime green stucco and adventure playgrounds in the gardens?

The leasehold system has been a powerful force to make London a handsome capital city, with whole streets painted in harmony in the same colour. This has been achieved through positive covenants in the leases which are enforceable only because this is the context in which they appear. Through restrictive covenants the estates also ban chickens, displays of washing, satellite dishes and air conditioning boxes on the fronts of buildings. "You know when you are on an estate, and when you are off it," says Roland Culham of Cluttons, managing agents for Smith's Charity.

The estates' standards have been tougher and have had more success than anything the local authorities could have done, even though they can use the powers of the laws for Conservation Areas (which generally apply to all the estates) and Listed Buildings. However, the way these rules are drafted, councils are commited more to stopping buildings from falling into ruin rather than keeping them in good repair.

Under the present rules, a few houses have enfranchised on the estates. As part of the deal, the estate has often made management agreements with the owners. Houseowners in Ebury Street say that these have all the same clauses as the previous lease, except those concerning ownership. The Grosvenor Estate reminds them when it is time to re-paint, specifies which paint to use and inspects the job on completion. The fee for this scheme for one house in Ebury Street has risen from £16 to £57 in five years.

These small schemes for a few houses are easy for the landlords to include in the general costs of running their estates. But what of the future, when there may have been piecemeal enfranchisement of well-managed estates? John Neale, casework secretary of the Georgian Group, the conservation society, is worried about how these properties might look. "The effects will be particularly bad in streets of stuccoed houses." And Colin Redman, London estate director for the Grosvenor Estate, foresees that "the biggest problem will be the lack of positive covenants to enforce."

In an attempt to head this problem off, the new bill allows landlords to institute management schemes for areas which they are in danger of losing. The Leasehold Valuation Tribunal must approve these and will "have regard to the past development and present character of the area and to architectural or historical considerations."

Such schemes will be fine in the early years of enfranchisement when the estate is largely still unified. But as the landowner loses more and more, he will be bound to question what he is doing administering schemes for properties which he does not own.

Expect debate on this in the Lords, and the reappearance of an amendment, which was proposed and withdrawn in the Commons, to allow "heritage areas" that the Secretary for National Heritage could exempt from enfranchisement on grounds of architectural and historical importance.

To see why it matters, walk through Belgravia and look at the details that combine to make it a glorious showpiece of London. If it is all enfranchised, its freeholders will have to be unusually responsible, imaginative and co-operative. Or will a government of the future introduce a bill to direct local authorities to restore the standards the estates now enforce?

GARDENING AND PRESS REVIEW

How to defend the city tree

Westminster's Paul Akers: a guardian of leaf and branch

Patricia Morison on the vexed question of Tree v. Neighbour

WITH THE coming of spring, one person's tree becomes another person's nuisance. My introduction to the fraught area of Tree v. Neighbour came a few months ago.

A majestic plane tree grows at the bottom of the north London back garden overlooked by our flat. In summer, its branches make a curtain so tall and wide that it screens not just our five-storey house but several others from those opposite. One might have thought such a beautiful tree would have been universally popular – but no. A member of the local conservation committee spotted that the council had granted an application for drastic pruning.

The applicant was not the tree's owner, but a developer with a garden flat across the wall who presumably hopes to recoup his investment quicker by claiming the flat "benefits from a sunny garden."

Anguished calls to the council planners brought bad news. Several of the plane tree's largest branches lean out above the applicant's garden, albeit at a great height. We were told that although our tree has the statutory protection of growing in a conservation area, these overhanging branches constitute a nuisance. In common law, the developer has the right to wield the axe even if it leaves a butchered tree. Sobered by this discovery, I travelled south to discuss the troubled life of the inner-city tree with Paul Akers, chief arboricultural officer for Westminster City Council.

Compared with trees officers in other London boroughs, Akers has a palmy time. Westminster is Conservative and wealthy. Most of its eight acres is a conservation area, meaning most trees are statutorily protected. Westminster residents are generally the types to favour a greener borough. A Citizens' Task Force reports any pruning which may be unauthorised as well as damaged council trees. There is little vandalism. New plantings achieve a 95 per cent "take".

A free advisory service exists for Westminster residents with problems about trees – not only those in public places but in their own or other people's gardens. Free booklets are on offer.

In cases of tree versus resident, trees officers face tricky situations and trees can be the losers. Residents complain that lime trees along the street drop sticky mess on their cars or that crab-apples are splattering the pavements. "The council cannot ignore the complaint, yet we don't want to over-react."

Complaints about trees cutting out light are common and pose problems because they are so subjective. Even though it goes against the grain, Akers will often recommend that trees causing a nuisance are pruned. It may appear butchery to the tree-lover, but inside an overshadowed property there may be someone who is house-bound.

People often need warning that pruning can be counter-productive, thanks to trees' fantastic powers of regeneration which results in still denser foliage. Trees officers will also often advise that overcrowded sites should be thinned, although they may well suggest that young ones are planted for the future.

In the matter of our plane tree, Akers considered that the legal position was less black-and-white than our own planning department (too short-staffed to visit the site) had ruled. There is "a conflict of legal views" about what happens when a tree in a conservation area or protected by a Tree Preservation Order (TPO) overhangs a boundary.

I was given a further booklet, *Trees and the Law* by JGS Harris (£3.50, obtainable from the Arboricultural Association*). It covers the law only as it stood at August 11989, and will be updated. However, a case is cited in which a court ruled that someone was wrong to have lopped overhanging branches off a tree protected by a TPO because he had "only suffered a small inconvenience in the use and enjoyment of his garden" and the nuisance was not therefore actionable.

What exactly is the value of a Tree Preservation Order (TPO), I asked? A TPO will be placed on a tree which is beautiful or important, perhaps because it screens an eyesore; normally it should be visible from a public place. In Westminster, this means that virtually any front garden tree has a TPO, and most in back gardens as well.

One can apply for a TPO, which costs nothing. Once a TPO is applied, a tree cannot be cut at all without the prior consent of the council. (Fruit trees are not normally given TPOs because they require heavy pruning.) Cutting and pruning must be carried out according to British Standard regulations.

A TPO is registered as a charge on the property. Contravening a TPO can result in a £2,000 fine. If permission is granted for a protected tree to be felled, perhaps because it is old or diseased, the owner will be instructed to plant a replacement. Whether they actually do is a different matter, and planners do not necessarily have the resources to check.

Akers points out that many fights over urban trees need not occur if suitable species had been chosen in the first place. Gardeners always need to think of the ultimate height and spread of a tree. It makes sense not to plant trees hard up against a boundary. And even if the tree is not be placed so that it overhangs, *Trees and the Law* states that if you obscure a neighbour's light he may be able to get an injunction ordering the trees to be kept under control, or he may claim damages.

But if such considerations mean that the inner-city tree must always be a small, sparse-leaved specimen, then we are surely all losers. Our graceful giant is still some way off coming into leaf and the developer has gone quiet, perhaps taken aback by the strength of local feeling. Or could it be that he, too, has heard the ominous words about a conflict of legal opinion? Conflict equals expense, and our green curtain might look a little too costly to tear down.

■ **Arboricultural Association, Ampfield House, Romsey, Hants SO51 9PA; 0794-68717.*

As they say in Europe / **James Morgan**

Try to understand John Major

I WAS riveted by the phrase, "We must condemn a little more and understand a little less." The prime minister, John Major, uttered it in a newspaper interview last Sunday when asked about the wave of violent crime in which Britain is at present engulfed, as is demonstrated by everything except the evidence.

The phrase finds only a limited echo elsewhere in Europe. In French it becomes the conclusion of the syllogism whose first premiss is the well-known saying, *"Tout expliquer, c'est tout comprendre."* It goes nicely into German: *"Mehr Verurteilen, weniger Verständnis."* That could easily appear on the masthead of the *Frankfurter Allgemeine Zeitung*, a paper which constantly puts Major's injunction into practice. This week saw a nice round-up of the usual suspects – those phenomena which threaten civilised existence – Serbs, social-democrats and cuts in interest rates.

And yet in a country that many still associate with strict attitudes towards deviant behaviour, the punishment of violent crime in particular seems, by comparison with Britain, astonishingly lax. When four youths beat an Angolan guestworker to death in the eastern German city of Eberswalde last year, they got a maximum of four years apiece in jail: *Die Welt* described the sentences as "heavy." Maybe this gives force to the views of a German friend of mine who once said: "In this country you can get with murder, but very little else."

Moscow's *Sovetskaya Rossiya* provides the ultimate realisation of Major's advice. As its anachronistic name implies, it manages to condemn everything and understand absolutely nothing. This week it produced a memorable piece on the "purposeful wrecking of the army and navy in every respect by the top military-political leadership of the country."

But most of the great newspapers of Europe, the *Neue Zürcher Zeitung*, *Le Monde*, *El Pais* and so on, get the phrase the other way round and hesitate to criticise anything. They tend to be depressingly fair-minded and objective, giving long explanations of the background to evil events and, as a result, are, in a word, boring. Nobody ever went out to lynch someone after reading the *Neue Zurcher*.

Major's injunction was not translated in the Spanish and Italian papers I saw. Their journalists worked their way around it because, by itself, its meaning was hard to grasp in their languages.

In Italy the phrase which has become derided as the ultimate expression of ludicrous liberalism in Britain, "we are all guilty," becomes the basis of the penal system. Any number of psychiatrists earn their living tramping through the courts explaining how the criminal is the victim. But Italy, of course, is perhaps the one country where "we are all guilty" is probably nothing more than a statement of fact. If you are not on the take, you are letting your family down.

And yet, in spite of its unique qualities, Italy remains the most under-reported country in western Europe. Pope-and-mafia stories provide the staple for most papers and the country is condemned without being understood almost everywhere, as it always has been. The *Frankfurter Allgemeine* had another go this week at highlighting the sufferings of the German-speaking majority of South Tyrol region: "The Italians cannot bring themselves to accept the German origin of local place-names."

An English traveller in the 16th century described Italy as "a paradise inhabited with devils." Even the present spectacular round of arrests, a cabinet reshuffle and the incipient collapse of the state evoke only limited interest among the European reading public: in Italy nothing is surprising. As Shakespeare discovered four centuries ago, if you want to someone to believe the impossible, you set it in Italy.

Britain seems far more interesting to most of its neighbours and it is coming to play a role as a sort of super-Italy. Others seem to have accepted the British evaluation of their country as an almost mythic land where not only can things be expected to go spectacularly wrong but where they can become exceptionally nasty too. The most recent horror to strike Liverpool, a city which has gained a notable reputation throughout Europe as the ultimate symbol of what it means to be British, was discussed in a number of editorials.

The other Frankfurt paper, the *Rundschau* wrote: "The insecurity which has gripped the British because of this terrible story has another side. Fourteen years of Tory rule have much to do with it – the ideology of a callous individualism which has no need to recognise such realities as poverty and social hopelessness." Now, was that written by someone who knows how to condemn more and understand less, or vice versa?

■ *James Morgan is economics correspondent of the BBC World Service.*

BOOKS

A God for all seasons

*The concept of deity is forever versatile, concludes **A.C. Grayling***

A NICE temerity attaches to the title of Karen Armstrong's book, for God allegedly exists outside time and therefore, like the virtuous woman of parable, has no history. But Armstrong has not attempted a history of God, but of mankind's idea of God; or rather of mankind's many ideas of God. For the concept of deity is protean, and readily assumes the shapes into which history's pressures squeeze humanity's needs.

Armstrong was once a Roman Catholic nun, and wrote a bestselling account of her loss of faith and return to secular life. Since then she has made a profession of her somewhat ambiguous agnosticism, as an eloquent journalist of religion who is sympathetic to its attractions but sceptical of its claims. The ambiguity of her agnosticism arises from her preparedness to give house-room to thinkers as different as the medieval Meister Eckhart and the modern Ivan Tillich, who cannot accept literal God-with-a-white-beard theologies, but who believe there is some sort of Absolute nevertheless; and who hide its indescribability behind a fig-leaf of paradox.

In this ambitious book Armstrong traces the history of Jewish, Christian and Islamic concepts of God from their beginnings to the present. This is a vast subject, demanding a wide range of scholarly skills. Only a tome compiled by specialists would be truly adequate, and Armstrong's single-handed attempt cannot claim to be so. She ventures Old Testament scholarship, classical philology, Islamic history, modern philosophy, and much besides; but by the end her exposition has become a series of vignettes, a couple of pages each to this thinker or that topic, betraying too heavy reliance on second-hand material, and exposing Armstrong in waters beyond her depth.

But this is a commendable book nevertheless, and an interesting one, and I would rather it were widely read than not, for it says something important. Drawing on her own experience, Armstrong remarks that most people acquire confused ideas about religion in childhood, and thereafter neither modify nor develop them. But as soon as we realise that theologies are the product of history, during which barely recognisable versions of our own culture's beliefs have variously flourished and failed, we come to see religion in a markedly different light.

It must, for example, strike even desultory readers of the Old Testament that the tribal god it depicts is a bully and a tyrant. The contrast with the New Testament's avuncular deity is striking. But what readers might not know is that some biblical texts have a decidedly questionable history. Consider *Deuteronomy*, which, in the midst of yet another doctrinal quarrel within Israel, was suddenly and conveniently "found" by workmen refurbishing the Temple – and of course gave unequivocal support to one side of the argument. Yahweh often entered on cue like this, apparently unable to resist politics; and invariably on the winning side.

Jesus's divinity affords another example. In Mark's Gospel he is a man; in the theology of St Paul he is the medium of the New Covenant; in the fourth century A.D., after the Arian "heresy" controversy – Arius of Alexandria had argued that Jesus must be less divine than the Father – he becomes very God in human form.

One of the book's most fasci-

A HISTORY OF GOD
by Karen Armstrong
Heinemann £16.99, 511 pages

nating chapters concerns the rise of Islam, which Armstrong tells us resulted from an Arabic sense of inferiority. Arabs, she says, felt "mingled resentment and respect" for Jews and Christians because they had enjoyed direct communication with God. Leaders like Zayd ibn Amr longed for their own people to receive a divine revelation. It came at last to Muhammad ibn Abdallah in a terrifying experience on Mount Hira outside Mecca, in which the angel Gabriel instructed him to "Recite!"

The result, produced at laborious intervals over the following two decades, was the Koran, the "Recitation", whose sheer beauty of language is reputed to have been a frequent instrument of conversion in its own right. But, as with Christianity, splits and controversies followed, and Islam's early tolerance towards other religions soon vanished, as did the early freedoms enjoyed by its women. And again as with Christianity, the long-term legacy includes the familiar horrors of intolerance, bigotry and persecution which characterise all organised religion.

The concept of God, Armstrong shows, is a gerrymandered affair. But she insists nevertheless that humans are spiritual creatures, and tentatively wonders whether the new theologies of Tillich, Martin Buber and others might meet our cravings for something ultimate. She is right to say that spirituality matters; but some of us would argue that only art and affection can appease its hungers. Her book therefore suggests a different solution. Rather than seek another new definition of God, we might do better to dispense with theologies altogether and place our hopes in the best of things human instead.

Here's a how-de-doo!

GILBERT AND SULLIVAN
by Michael Ffinch
Weidenfeld & Nicolson £20, 294 pages

PENDING the archival biography of W.S. Gilbert himself on which an American theatre historian has been busying herself for a decade, here is yet another of those general books which from time to time re-scrutinise the Victorian collaboration. Smoothly written, Michael Ffinch's text incorporates a re-telling of the stories of the operettas and lengthy quotation from their verses. He is in no doubt that the dramatist was "a far greater man in every way" than the composer.

Such a judgment, however, assumes a musical competence not evident in an author who asserts that the title of *Ruddigore* "is now often confused with Verdi's *Rigoletto*". The profusion of superscript figures and footnotes (or rather backnotes) is, alas, a façade. With no scholarly evaluation of his sources, Mr Ffinch reinstates a discredited anecdote on one page, yet cites in another context the later work which did the discrediting.

The fictional stories that Sullivan's grandfather rose to the army rank of sergeant and guarded Napoleon's heart on St Helena, and that Arthur Sullivan himself as a boy chorister sang at the christening of the Duke of Albany (Queen Victoria's youngest son) should have been tallied up for ever. On the other hand, the author has failed to catch up with recent discoveries about *Thespis*, Gilbert and Sullivan's first, "lost" joint work.

Repeatedly misnaming a character in The Grand Duke as "Drummkopf" instead of "Dummkopf", Mr Ffinch fails to perceive Gilbert's German joke. The misnaming of one of Sullivan's non-Gilbert operettas as *Hadden* (for Haddon) *Hall* and the misquotation from *Trial by Jury* likewise betray an uncertain foothold on the terrain. The nineteen photo-illustrations are well chosen.

Arthur Jacobs

The paradox of Churchill

***Zara Steiner** admires revisionary history at its best*

CHURCHILL quipped: "History will bear me out, particularly as I shall write that history myself". While the old lion may have wanted the first word, he must have known it would not be the last. *Churchill: A Major New Assessment* is a glittering collection of essays by a distinguished cast of historians, mainly British, without a continental (or woman) in sight. It is guaranteed to be a scholarly bestseller. There is hardly a contribution (each restricted to some 20 pages, and splendidly cross-referenced) that does not contain a golden nugget or a suggestive idea.

This deconstruction of Churchill's political life is revisionist history at its very best. A nuanced introduction and a beautifully written final essay by Robert Rhodes James on the "parliamentarian, orator and statesman" point to the central paradox in any assessment of Churchill's career. In 1939 Churchill was 65 years of age. The man for whom politics was a central passion had been out of office for 10 years and, excepting the Liberal reform years of 1909-11, his career might well have been dismissed as a study in failure. He could have been consigned to David Cannadine's list of Marlboroughs distinguished by too many debts, too much gambling and too much drink. Yet in 1940 Churchill's faults became virtues and, despite costly mistakes and terrible misjudgments, he emerged from the war as one of the greatest statesmen of our time, the only one of the three war leaders to retain almost untarnished his claim to greatness.

Even Churchill's greatest strength, the masterly ability to use words in a way few could match, stemmed not from a natural facility of speech but from preparation of the most detailed kind. The effect of his rhetoric in the inter-war period was to make enemies in the Commons and to be judged boring, repetitive and prejudiced by his political peers. It was in 1940, with the brief but unforgettable "blood, toil, tears and sweat" speech that man and moment matched. It is hard to believe that in that year, as D.J. Wendon records, only five of Churchill's speeches were broadcast to the nation, for the prime minister's oratorical skills lay at the very heart of his mobilisation of the nation. The aristocrat by birth, who had probably never travelled on a bus, became the people's hero.

Churchill's egoism and driving ambition did not make political friends. His lifelong faith in the greatness of Britain and the strength of her empire already seemed archaic and dangerously romantic in the inter-war period. Beyond this constancy of belief, Churchill was a mass of contradictions, shifting between parties and policies with unacceptable frequency. Writer after writer in this collection, with but one or two exceptions, exposes the gap between the image and the reality of his achievements – the creation of the Anglo-American "special relationship", the bulldog stance of 1940, the prescient "cold warrior" of the Stalinist period, and the great "European" of the Zurich speech.

In one of the few contributions which singles out Churchill's permanence of vision, Paul Addison points to the element of paternalism which coloured his attitude towards social reform. In many ways, Churchill remained faithful to the precepts of his Edwardian inheritance; in others, he was the supreme realist and pragmatist.

In the most passionate critique of Churchill's policies, Sarvepalli Gopal argues that India was and remained Churchill's blind spot and that his visceral dislike of Gandhi, Congress and at times all Indians, brought out the harshness and cruelty in his nature. Yet even here there was an element of realism. Once India went, he knew that the empire and the main source of British power would disappear. Elsewhere in the Empire, he looked to compromise and reconciliation. Churchill was a man of prejudices and preferences but, with the exception of India and a dangerous under-estimation of the Japanese, these rarely blinded him to the needs of the moment.

Apart from John Keegan, who makes a case for Churchill's Mediterranean strategy, other writers on military matters dwell on his failures. Churchill's passionate interest in war and the tools of war was a double-edged sword. The restless craving for action, the mania for capturing islands and the "ceaseless prodding" of generals and admirals often resulted in disaster. Churchill's fascination with science and technology, as illustrated by R.V. Jones, and his unusual and all-important interest in intelligence were key actors in Britain's victory. Sir Harry Hinsley, however, argues that it was in reaction to the prime minister's use of the Bletchley decripts that a proper system of assessment and use was developed.

Churchill could inspire men and energise Whitehall but he was also a notable bully. Only a few, Alan Brooke and Montgomery the most notable among them, could withstand his formidable tongue. The strongest indictment of Churchill as strategist and war leader comes from Richard Ollard's discussion of the Navy, for not only did Churchill never grasp the nature of sea power but he never appreciated the quality of the men who served him. This may strike many general readers as the most surprising argument in the collection.

Even in 1940 Churchill's stance was not quite what it

CHURCHILL: A MAJOR NEW ASSESSMENT OF HIS LIFE IN PEACE AND WAR
edited by Robert Blake and W M Louis
Oxford £19.95, 581 pages

CHURCHILL, THE END OF GLORY
by John Charmley
Hodder & Stoughton £30, 742 pages

seemed. As shown by Robert Blake and David Reynolds, Churchill came to the prime ministership by default. His political weakness meant that he had to consider the possibility of peace in the terrible month of May. David Reynolds draws back the Churchillian curtain to reveal a more complicated story than that found in Churchill's own account. Nevertheless there is little doubt that the prime minister's decision for continuing the war and his ability to galvanise the nation behind him created an unforgettable kinship between the man and the people. Archaic ideas expressed in glorious prose created "their finest hour". Apart from his self confidence and faith in the nation, Churchill had only his belief in America's entrance into the war and a mistaken impression of German weakness to back his resolve.

Twenty-nine essays do not create a composite picture and no one here quite tackles the reasons why, after all the mistakes are revealed, Churchill emerges with his "integrity and greatness" intact. It is because John Charmley has cast doubt on the Churchillian decision taken in 1940 that he has incurred the wrath of so many historians. He fully deserves his moment of notoriety. This book is full of interest and important insights. He makes useful connections, between for instance, Churchill's stubborness over India and his determination to fight on in 1940.

Charmley clearly enjoyed writing this book and this shows on almost every page. But his central thesis is fatally flawed. Churchill was not responsible for the fall of the British empire, nor can he be blamed for the country's decline from power. He did, at a crucial moment, mainly through force of personality, avoid linking Britain with Nazi Germany. This saved his fellow countrymen from having to make unacceptable decisions. Ask any Frenchman over the age of 60. It was the right choice and one which will never be forgotten. The Marlborough genes finally turned up trumps. But of the making of Churchill books there shall be no end.

Life on earth

TAXONOMY has always seemed one of the most comforting and rewarding of biological disciplines. Anyone who has marvelled at the variation in a mass of bee orchids on a Mediterranean hillside, or attempted to distinguish between the small brown flycatchers that throng through an American woodland, will have had a small taste of the challenges in assigning individuals to species and subspecies, in fixing boundaries for what is often a continuum of life forms.

The taxonomist's mill grinds ever smaller; more and more sophisticated tools are brought to bear on the most difficult knots of classification, always striving to mirror the precision with which evolution remorselessly sifts and orders its own production. The goal of this effort is far removed from the reality of a dusty herbarium or a formalin-pickled specimen; behind it all there's an intellectual challenge which in its own way is as elemental as any research in particle physics or creation cosmology.

Now, as Edward Wilson demonstrates, taxonomy is big news. Wilson is an entomologist, an ant-man whose work on the species of the tropical rainforest has led him on to contemplate the larger pattern into which his classification fits. Species diversity, the range of living organisms to be found within a single habitat,

THE DIVERSITY OF LIFE
by Edward O Wilson
Allen Lane £22.50, 424 pages

is at its most luxuriant in the rainforest; there the niches into which animals and plants can adapt themselves are narrower and more ingenious than anywhere else on earth. And what we know of that range of species is still only a partial picture of life on earth; what has been named and classified – perhaps 1.5m species altogether – is still only a small fraction of the total waiting to be recorded, for which estimates range up towards 100m.

In the face of this unconscionable profusion, man has set about winnowing it with an effectiveness unparalleled in the history of life on earth. There have been mass extinctions before; the fossil record shows them punctuating geological time. But none threatens to be as comprehensive and savage as the one currently being meted out by one species on its fellows. Yes, the earth will probably make up the loss eventually, as it has always done before, but only after tens of millions of years, when the human race itself may well have joined the 99 per cent of the species that have once existed and are already extinct.

Wilson unfolds this litany of disaster in an even, cool tone. First he celebrates the glories of bio-diversity, then painstakingly chronicles the human race's efforts to destroy it. His remedies, the ways in which habitats might be saved, demands for food and material production reconciled with the need to maintain diversity, are persuasively argued. It would be easy to allow a note of hysteria to creep in, to turn the agenda which Wilson presents in his final chapter into an emotional polemic. But the facts are always allowed to speak for themselves; in the final analysis, he concludes, what happens to the planet is an ethical decision for the human race: "The stewardship of environment is a domain on the near side of metaphysics where all reflective persons can surely find common ground . . . An enduring environmental ethic will aim to preserve not only the health and freedom of our species, but access to the world in which the human spirit was born."

Sometimes repetitive, and encumbered by distinctly inappropriate line illustrations this is an important book. It takes the whole environmental issue on to a higher plane; more than the greenhouse effect or ozone depletion, it is habitat destruction that will affect the planet and the ecology which humans share with their congeners for as long as the race survives. "One earth, one experiment", Wilson warns, and it is up to us whether we choose to pull the plug.

Andrew Clements

FT children's Book of the Month

A little chip of Vermont

THIRTEEN-year-old Lyddie Worthen had been queen in all but name of the poor cabin, the straggly fields and the sugar bush up in the hills of Vermont; but when she descends to the plain to begin work as a poorly-paid kitchen help at Cutler's Tavern after her father disappears Out West and her mother, in the grip of a religious obsession, takes herself and the babies off to evangelical Uncle Judah's house, despair seems to stare Lyddie in the face. Why has her mother allowed the family to be split asunder in this way? And what can she, a poor, untutored girl, do to bring it back together again? The answer seems relatively simple: pay off the farm's debts.

After working in the tavern's gargantuan kitchens she drifts down to Lowell, Massachusetts, in pursuit of better paid work in the mills; and the account that Maryland novelist Katherine Paterson gives us of factory life in the 1840s in this novel could not be more different from the version provided by Charles Dickens in his *American Notes* of 1842 – a book that was received with great hostility by his hosts for, among other things, its harsh condemnation of slavery and its advocacy of international copyright.

Lyddie earns a good living in the mill, working like a demon to pay off the debts of the farm so that, one day, she might return home. Envious of her friend Betsy's bookishness, she acquires a fine edition of *Oliver Twist* and teaches herself to read by copying out individual pages and pasting them to her loom. But she also remains a perpetual outsider, a crow among peacocks, in her tight homespun and the pinching, overlarge boots, speaking, as she does, her queer mountain speech.

Unfortunately, the very yearning to earn enough money to liberate herself turns her into a different kind of person – tough, miserly, impatient with those weaker and slower than herself. Her mind becomes as calloused as her hands. And then the devastating news arrives: her mother is dead; her brother has found a surrogate family; and the farm has been sold. There is nothing and no one to return to. The farm now exists only in Lyddie's excitable imagination.

Katherine Paterson has won many awards for her success in writing about children and teenagers pitting themselves against terrible odds – the struggles of Jess in *Bridge To Terabithia* (1977), for example; or the efforts of an older sister in the Newbery Medal winner *Jacob Have I Loved* (1980) to establish an independent life for herself when she has always lived in the shadow of a younger favourite. But *Lyddie* is much more than a piece of convincing portraiture. It is both a meticulously researched historical novel that

LYDDIE
by Katherine Paterson
Puffin Paperback £3.50, 182 pages

illuminates the conditions of life in an American industrial town of the 1840s, and an exploration of themes that have been written about too seldom in fiction for young people: whether or not work itself is a kind of enslavement; the plea bargaining that must go on between the need to improve one's working conditions and the very human wish not to be taken for a troublemaker; and sexual harassment in the workplace.

These are mature themes – but they impinge upon the lives of children too, and Katherine Paterson has worked them into this novel with such skill that they have become an integral part of this excellently-told and well-paced story.

American novelists have often demonstrated a rare ability to write about difficult, spunky children – among the best are Vera and Bill Cleaver, S.E. Hinton, Paula Fox, and even, perhaps, J.D. Salinger. Katherine Paterson has created something as good as anything that the others might have conceived in the person of the sturdy, plain Lyddie, a little chip of Vermont.

Michael Glover

Israel's Cicero

TEMPERAMENTALLY, Abba Eban never quite fitted into Israeli politics, although he was at its centre from the country's birth. Donnish, remote, supremely articulate, his precise grandiloquent style jarred against the untidy, reflexive mode characteristic of Israelis.

He here recalls how Harold Wilson once suggested that he lacked a killer's instinct in politics – surely an unfair judgment, since in the arena of international diplomacy, where he excelled, Eban frequently

PERSONAL WITNESS: ISRAEL THROUGH MY EYES
by Abba Eban
Jonathan Cape £25, 671 pages

demonstrated that instinct to telling effect. His problem was not a deficiency in ruthlessness so much as a lack of suitable armoury for the rough and tumble of Israeli politics, which favours the bludgeon above the rapier. He seems to be seduced by the cadence of language and intellectual symmetry to the point of being oblivious to the gut sensibilities of his public.

This book describes a long, distinguished career in Israeli public life, from initiation into the high echelons of pre-state Zionist politics at the precocious age of 22, to the retired eminence that he has been enjoying for a number of years now. Born in South Africa and raised in this country, he gave up a promising academic life in Cambridge to live in and serve the emerging Jewish state. He was Israel's first ambassador to the United Nations and Washington, Foreign Minister, Minister of Education, and Deputy Prime Minister.

As might be expected, his elevated view of the country's evolution allied to meticulous recall guarantees that his account is authoritative and comprehensive. Yet something about the assured flow of his narrative suggests a selective retrospection, with an element of score-settling and self-vindication in mind.

Mr Eban's invaluable contribution to Israel's struggle has been in diplomacy, and the parts of the book which deal with his years as Israel's envoy to the UN and to Washington are the most exciting. It is here that the eloquence of his prose complements his incisive sense of irony. Few of his contemporaries on the diplomatic circuit could show such an assured grasp of world affairs. Fewer still had the gift of summing up a complex situation as lucidly and concisely as he could.

The Suez crisis tested his abilities to the full. He came through, as in subsequent crises, with flying colours. The esteem in which he was held by statesmen who were not renowned for their affection for Israel is illustrated by one of his encounters with the then American Secretary of State, John Foster Dulles. In early November 1956 Eban made a crucial speech to the UN General Assembly: "It was past 2.00 in the morning when the vote came . . . As I walked down to the lobby, Dulles was waiting there . . . he began to speak with typically forensic professionalism: 'Listen, you didn't seem to be reading. Did you have a manuscript?' I told him that, owing to pressure of time, I had not prepared my speech at all . . . He looked at me hard and offered a memorable tribute: 'Jesus Christ,' he said, as he stalked away. I was later told that this was the only occasion on which that austere churchman had been heard to utter the familiar but irreverent expletive."

Unfortunately, Eban was never fully appreciated in Israel. Perhaps the reason is that his moderation flowed from an alien rationality. His book, rich in insights, resonant in language, is the story of the Jewish state told by a Cicero, not a Thucydides.

Elon Salmon

BOOKS/ARTS

The taming of the beast

***Anthony Curtis** reviews Brian Moore's latest novel*

WHAT DID Graham Greene really mean when he said that Brian Moore treated the novel like a wild beast and tamed it? Barely suppressed violence is a constant element in all Moore's novels, of which *No Other Life* is the 17th. The turmoil invariably erupts in some kind of bloodbath sustained over final purgatorial chapters with great narrative skill. In this one the underlying violence is that of the Duvalier "Papa Doc" regime, and its legacy, in Haiti. The island, with its élite of mulattoes, its military junta, its terrible gangster police and its down-trodden black peasantry, appears here in fictional form as Ganae where the narrator has for many years been a Roman Catholic priest.

Father Paul Michael looks back over his life on the island and the charismatic career of his native protégé "Jeannot" whom we see being recruited into his order. This character owes much to the young priest Fr. Jean-Bertrand Aristide of the order of St François de Sales, who in the late 1980s proclaimed from his pulpit that Haiti would never achieve democratic elections unless the government was overthrown. Aristide was one of those who, while inciting his flock to political action, found support for it in the Bible. "Part of our mission," he said, "is to destroy the capitalist system. Socialism is closer to the gospel than either capitalism or communism". It was Liberation Theology with a vengeance. Moore tackles it here head on, and with great understanding.

We have been to Haiti before in a modern Catholic novel – in 1958 in Greene's *The Comedians*. But in Moore, unlike Greene, you do not have that *déjà vu* feeling of familiar content being served up in a fresh setting. Every Moore novel is a new beginning. There is no such place as Mooreland. Wherever Moore's novels are set – Belfast, the South of France, Hollywood, a Californian campus, Toronto, Montreal – the characters are creatures of their environment, true natives, instantly recognisable as such.

Moore has moved around the world a good deal since 1921 when he was born in Belfast to be educated at St Malachy's, a Catholic College, where he had his first experience of a violent disciplinary regime; it became the setting for his early novel

NO OTHER LIFE
by Brian Moore
Bloomsbury £14.99, 216 pages

The Feast of Lupercal. In 1948 Moore emigrated to Canada where he worked as a journalist. He eventually became a Canadian citizen, but one who lives now in Southern California. In his earlier books the battle-ground tended to be domestic and professional. He dramatised the power struggle as it affected relations between men and women at work as well as at home. As an artist Moore is equally accomplished in identifying with, and narrating through, people of either gender. Entire novels may be carried by larger than life heroines, starting with that superb creation, portrayed so memorably by Maggie Smith on screen, the alcoholic Belfast spinster Judith Hearne.

But latterly Moore has turned from the contemplation of domestic disorders to forms of martyrdom – individuals forced to suffer from the pressure of history on account of their religious faith. Moore was born into a Catholic family and was from his cradle indoctrinated into the religion which he now says he uses in his books only as "a metaphor". But even if he has adopted an agnostic position in his own outlook, religious belief remains an essential ingredient in the Brian Moore fictional mix. In a study of a modern liberated woman, the chic neurotic *New Yorker* heroine of *I Am Mary Dunne*, there sounds a far away parental voice on the phone with timely reminders of the doctrine of sin and redemption. And there is just such a wise voice in this new novel; but this time it is the parent's function to put the alternative view from which the novel takes its negative title, that our present existence is the only one we have, and that there is "no other life" to console us.

If that is really true, it makes it so much harder for Father Michael to reconcile himself to the spectacle of corruption and exploitation, of abysmal poverty and cynical indifference to it by the ruling caste, that Moore evokes so powerfully in this short, explosive book. Moore brings this world pulsatingly to life through vivid descriptive writing and a series of beautifully accurate vignettes of the people surrounding his hero. He traces the steps through which Jeannot turns from a compassionate young acolyte into a clerical demagogue whose followers hail him as a saviour. Jeannot's moment of supreme power inaugurates a reign that is brief and ineffectual.

It concludes with the dictator Jeannot's final appearance in front of massed crowds after which he mysteriously disappears, sucked back, as it were, into anonymity, into the sun-baked soil from which he first emerged. This movie-like finish ends an enthralling, thought-provoking tale. Once again the fictional beast has been well and truly tamed.

Women on women

FROM the Queen of Sheba to My Naughty Little Sisters, a woman's social presence has always been different from a man's. Art through the ages has confirmed it – all those classical nudes begging to be looked at, flattering their male owners; literature has mostly maintained stereotypes. Here are three outstanding volumes of stories which, through the oblique but penetrating truths of fiction, say much about the gap between women as perceived and perceivers, as helpless icons and as creators of their own imaginative worlds.

We know Marina Warner as a distinguished cultural historian of female archetypes in biblical and folk tales; in *The Mermaids in the Basement* she turns her talents inside out and, in a series of dazzling monologues, imagines updated versions of the familiar figures speaking for themselves. It is not quite the Virgin Mary as Molly Bloom, but here is modern Kate as the Pharoah's daughter finding a baby in a basket, Susannah (she of the "Elders") spied upon by her husband's property developer colleagues in a poolside villa, Martha buying tortellini and frozen blueberries and washing up for Mary as she realises, after years of housewifely devotion, that she hates her sister.

Warner's skill is to free her characters from the archetypal expectations that have hung on them for centuries and yet to use the very resonance from these myths to surprise and enchant anew. In "The First Time" she alternates a comic pop rhythm from the Serpent, who has "diversified" into selling tropical fruit at a supermarket, with the little-girl-lost floodgates of a lovelorn teenager who goes home with guavas, tamarillos and 13p change. The best story, "Be My Baby", is an elaboration on nun-ish wisdom – "Sister Richard used to say the nun's was the highest calling, but that motherhood wasn't far behind" – through the superb, salt-of-the-earth Cockney vernacular of a nurse turned child-snatcher.

Sensuous yet rigidly controlled, dallying with everyday banalities but stopping just short of cliché, darting erudite reference into imaginative empathy, Warner writes with the delicious delicacy of a tightrope walker. In her last novel, *Indigo*, the attempt to pull myth into fiction read like a top-heavy academic joke, but in the short story, it seems to me, Warner has found her

THE MERMAIDS IN THE BASEMENT
by Marina Warner
Chatto & Windus £9.99, 228 pages

A LAZY EYE
by Mary Morrissey
Jonathan Cape £8.99, 229 pages

SUCH DEVOTED SISTERS
edited by Shena Mackay
Virago £14.99, 330 pages

milieu. The form enables her to spin out from one rich image or archetype into an original view of the world, and to convey it in a lyrical/tough style which does not sink under the weight of its own analysis. The result is exhilarating.

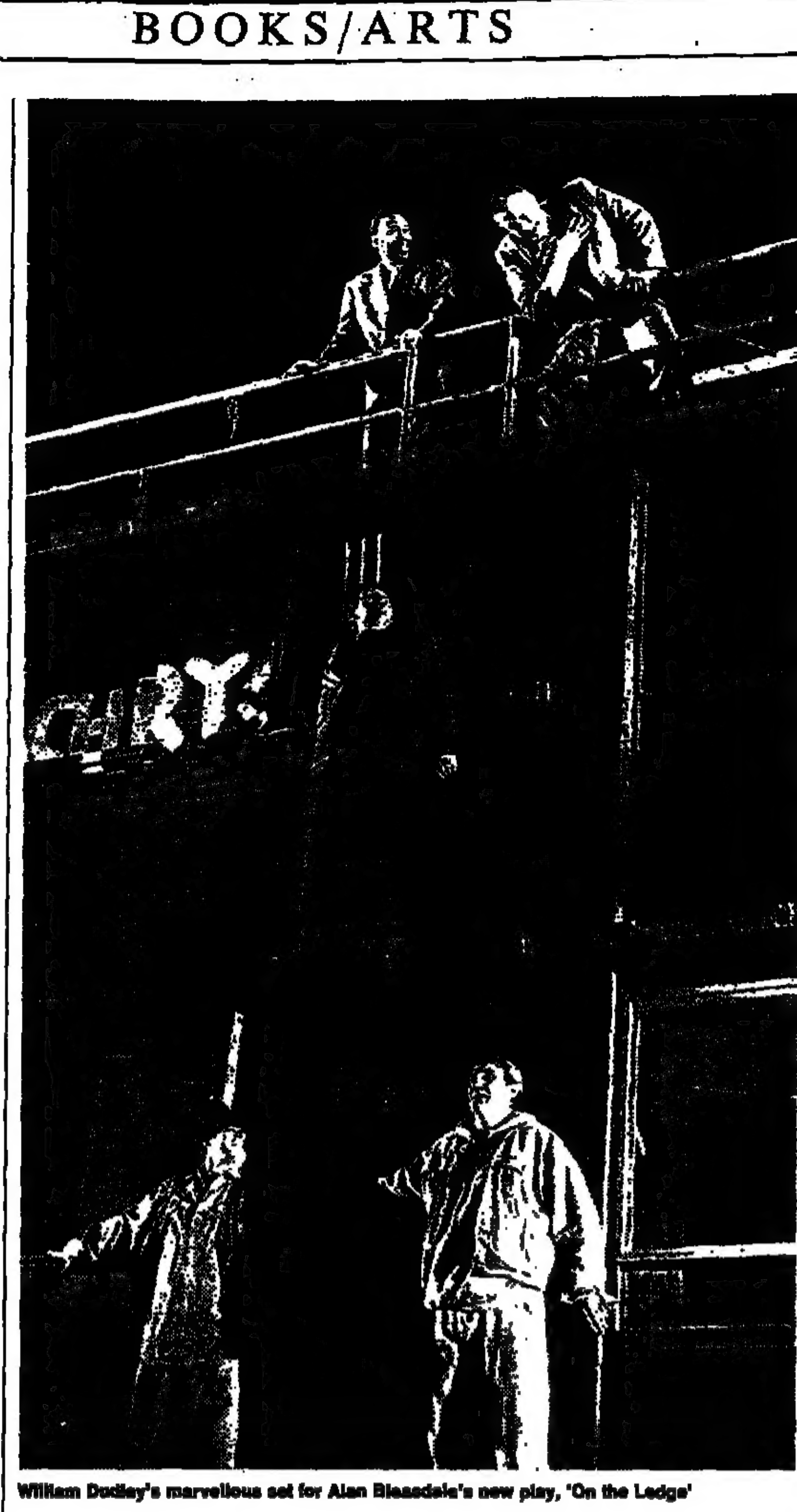
In fictional technique, the Irish writer Mary Morrissey could not be more different from Warner. The heroines of *A Lazy Eye* are anonymous, back-of-the-woods women whom we see for just fleeting moments of sheer, humiliating physicality – the start of menstruation, which gets a young traveller thrown off a European sleeper train; a woman revealing an embarrassing discharge to a hardnosed doctor. Storylines are slim, abrupt, almost proudly inconsequential; a throw-away, breathless prose rushes headlong, then smashes into deliberate flatness. Yet each of Morrissey's women manages, within events of a few minutes or hours, to encompass two worlds: one of guilty oppression (the interior of the train or surgery, controlled by the conductor or doctor), the other a wild, macabre landscape of the mind to which this claustrophobia gives rise.

There is the daughter, bargaining in hospital with God to save her father and let a youth in the next ward die instead, who is so intoxicated by her inner reality that she feels as guilty as a murderer. There is the shoplifter who remains loftily above her accusers when she is distracted and caught by a half-caste child who reminds her of the black babies the nuns once taught her to pray for. With artistry and warmth, Morrissey gives her characters a language as distinct as Warner's; people whom we might glimpse and pigeon-hole daily become atypical, particularised as quirky individuals standing up for themselves in a vengeful world.

The fascination of Virago's new anthology of women's writing on sisterhood, *Such Devoted Sisters*, lies in the parallels between pieces written in five continents over almost two centuries. Some of the finest, and most familiar, extracts here are thus illumined: Janet Frame's "Keel and Kool", for example, a restrained yet vivid picture of a Christmas picnic in New Zealand where a child works out her response to the death of a sister, has emotional echoes of the sentimental, closed-in scene of Beth's death from Louisa Alcott's *Good Wives*.

Shena Mackay has had a plentiful sea to trawl from, and her choice includes some stories which are perfect examples of the form, often from writers better known as novelists. Edna O'Brien's "The Connor Girls", where a child's view of two adult sisters and their romances changes painfully as she grows up, has the intensity and yearning nostalgia of *The Go-Between* condensed into 20 pages. Mary Flanagan's tale of sisterly bullying unravels like a horror movie. If there is an integrating theme, it is the innocence-to-experience story, with the particularly female twist of breaking away from family and social assumptions into self-knowledge and liberated identity. It is a welcome showcase for both women's writing and the short story.

Jackie Wullschlager


William Dudley's marvellous set for Alan Bleasdale's new play, 'On the Ledge'

Bleasdale clings to the ledge

ALAN BLEASDALE'S new play opens spectacularly at the Nottingham Playhouse with a man suspended upside down while he attempts to paint the word "Anarchy" high up on the outside wall of a block of apartments in Liverpool. In fact, it comes out as "ANACHRY" and the distortion must be deliberate.

Nothing in *On the Ledge* conforms to a pattern. The start could be black comedy drawn from Orton and Ayckbourn. The end, where Liverpool appears to go up in flames, approaches despair, but still shies away from tragedy.

Even the title is cryptic. "On the Edge" would suggest that people might fall over, jump or be pushed. *On the Ledge* shows that they just about manage to cling on. According to a long programme note, an earlier draft of the play was called *On The Twilight Side of the Mountain*. That touch of the inchoate has never quite left it.

In moving to a shorter, simpler form, Bleasdale must still have wondered how far to go between desperation and survival. Thus what we get is an odd mix: half throwaway lines that could belong to a stand-up comic, half social commentary. The set, on which the play depends, is dominant. Here is the outside of three floors of what looks like a fairly modern municipal housing development. There are no balconies, but ledges, where most of the action takes place. Sometimes characters appear on the roof. There is also a mechanical hoist which rises from the pit ready to rescue anyone in trouble. If you wanted to go in for symbolism, the hoist represents the Liverpool council finally arriving to prevent the worst. The one character who jumps from the ledge, and the only one who genuinely wants to jack it all in, is saved in this way.

Bleasdale, again according to the programme note, had considerable difficulty in writing the piece. He sent one revised text after another to Richard Eyre, the artistic director of the Royal National Theatre, who repeatedly replied, with helpful comments, that it was still not right for production. Meantime, Bleasdale was much acclaimed for the TV serial *GBH*: changes were made to *On the Ledge* and Eyre agreed to a joint production between the RNT and the Nottingham Playhouse.

Perhaps Eyre was too kind. One can still see why he had his reservations. The play is all over the place. "Look," says one character on the roof, "there are fires everywhere." "That's because it's Guy Fawkes night", says another, which apparently it is. Is this a reflection on the Toxteth riots in 1981? Bleasdale seems uncertain of whether he is writing a serious play.

The uncertainty extends to the characterisation. Some of the characters have names, like Mal, the social worker with two children by different fathers, and Moey, the man who operates the hoist. Others are simply designated as Upside Down – the one who daubs the dyslexic version of anarchy on the wall – and Man-on-Ledge, the man who makes the jump. Two others are simply called First and Second Brute. True, they are brutish, but there is no explanation why. Then there is Shaun, who may or may not be a former prominent figure in the Liverpool Council. His character is never developed.

There is rather a touching schoolmaster called Martin played by Christopher Ryan, who has coupled with the social worker (Dearbhla Molloy), but again he might just as well be a one-off turn. Man-on-Ledge, played by David Ross, is obsessed by newspaper headlines like the one about a man who stole a British Rail egg sandwich and was therefore thought to be insane. In short, there is no order, no form, only what Upside Down writes as "ANACHRY". Possibly this is Bleasdale's message about Liverpool today.

The set, which is the best thing about the play, is designed by William Dudley. *On the Ledge* is directed by Robin Lefevre and moves to Norwich, Glasgow, Bradford and Newcastle before arriving at the National on April 27.

Malcolm Rutherford

Scales meets Beckett

TO MOST British theatre-goers, Samuel Beckett's 1961 classic *Happy Days* is an unknown quantity, whereas Prunella Scales, the latest interpreter of its central role, is – thanks to TV – a household name. At the West Yorkshire Playhouse's new staging, it is soon obvious that *Happy Days*, though Scales can reveal just about every comic facet in it, is nothing like the various comedies that have made her name.

Not since Aeschylus's *Prometheus Bound* has a protagonist been so tied to the earth. In Act One, Winnie is up to her waist in earth; in Act Two, up to her neck. She is not all alone. Many of her words are addressed to her enfeebled and laconic husband Willie, though he is usually out of sight and often out of hearing. Communication, contact, memory are ebbing. No observer could miss the absurdity of this situation. Or the pathos of it.

Scales's Winnie is Northern, middle-class, genteel, dowdy, fading. Nothing about her is heroic. Most of what she says she has said so often that her voice sometimes grows flattened and monotonous from custom. Scales catches Winnie's nervous system; and, when she gabbles, she is alarmingly real. If anything, she over-characterises Winnie (she is nearly the flip side of Thora Hird in Alan Bennett's *Talking Heads*) – gives Winnie more surface than essence. When, for example, she says "Ah yes, things have their life, that is what I always say, *things have a life*," you are more struck by her quaint way of lingering on final consonants ("thinnngs") than by what she is *saying*.

In general, however, she so illuminates Beckett's words that afterwards, checking, I was amazed to note how almost every detail arose from his mind, not hers - even the overlap of her laughter with Willie's. She has complete ease with Winnie's constant change of mood; she is as natural speaking of "the happy day to come when flesh melts at so many degrees", or suppressing a sob in "That is what I find so wonderful," as she is when prodding Willie with her parasol or reprimanding him for his personal habits.

In details of timing, Scales, Robin Bowerman (Willie) and their director, Jude Kelly, do Becket proud. In two important features, however, this staging diminishes text and play. Both concern our sense of time, and affect the play's larger meaning. Firstly, the two acts are separated here only by a brief scene-adjustment and pause – as Tynan recommended, after the 1962 Royal Court production. But, by doing away with an interval (the play runs at 90 minutes), Kelly has weakened the sense of time's passing.

Secondly, the text is heavily sprinkled with pauses – "*too full of infertile pauses*," wrote Tynan. Scales and Kelly, however, leave few pauses longer than a breath, and leave *none* of them infertile. Scales's eyes and mouth are always nervously on the move. Likewise, in Act One, her hands. The result is rather too rushed, with little sense of waiting, of speech confronting The Great Silence – not just Willie's silence, but the silence of heaven and earth.

Pamela Howard's set, with scorched earth vanishing into baking sky, would be ideal if only Winnie's mound were shaped more like a gentle cone, less like a lump of sea-wall. Even so, Happy Days remains a masterpiece of modernist theatre; and, in Leeds, its meanings are all present. Winnie, the ageing breast (or mons Veneris); Willie, the ageing cock. The moods in which a woman addresses the loss of sexual activity, sexual identity, social colloquy, personal memory. The way that the sexes' struggle for power still surfaces. The touching fluctuations of the human spirit while seeing dust inexorably return to dust. Winnie to Willie: "*Just to know you are there within* hearing and conceivably on the semi-alert is . . . er . . . paradise enow."

Alastair Macaulay

Songmakers in town

FOR AN all-too-brief period at the beginning of the 19th century two kindred spirits poured out their feelings in poetry and song: John Keats and Franz Schubert. As the composer made no song settings of the poet, there is no way that their art can be enjoyed in harmony, but the Wigmore Hall's programme on Tuesday did everything it could to come as close as possible.

This was the first in a short series of International Songmakers at the Wigmore Hall, devised by Graham Johnson. By interleaving readings from Keats's poetry and letters he gave the Schubert songs a larger dimension. So much the two had in common – in Keats's words, the love for "nature's gentle doings", the romantic sensibility, the shared embrace of Grecian ideals.

This last was tellingly caught by setting Keats's *Ode on a Grecian Urn* alongside Schubert's haunting "Die Götter Griechenlands". (The reader throughout was Jill Balcon.) No other music by Schubert evokes so well that classical poise and timeless beauty, both beautifully caught in Johnson's accompaniment, if less palpably by the Austrian baritone, Oliver Widmer. Nevertheless, the deep resonance of his singing, unforced, generously projected, rich in tone, every word clear, was the primary vocal pleasure of the evening.

Whether or not it is the Wigmore's new Bösendorfer piano, Johnson is playing better and better at the moment. The accompaniment to "Nachthymne" sang with a wealth of expression that the soprano Susan Gritton could not equal; that to "Die Sternennächte" captured more of the moonlit, silvery atmosphere than tenor Jamie MacDougall's vocal line, sensitive though his quiet singing always was. At forte, the tone can become unpleasing. Alongside Widmer's eloquence in his own language, the linguistic efforts of his British colleagues were apt to sound problematical.

★

Earlier in the day another songmaker, by profession at least, had appeared at Covent Garden. This was the Irish mezzo Patricia Bardon, giving one of the Royal Opera's Tuesday lunchtime recitals. Hers is a splendidly individual voice, mezzo in name, perhaps, but rich, deep, touching alto depths with an old-fashioned steadiness and majesty when she wants to.

With Kathron Sturrock her fine accompanist, she tackled a varied programme that included vivid Barber and intense Rakhmaninov. Sometimes there is a tendency to allow the basic, distinctive colour of the voice to run unvaried for too long, but her Hahn group found a new, quietly luminous quality for "L'Heure exquise". In Brahms's "Die Mainacht" the voice showed that it could encompass both the tender and the deeply serious. It was brave, too, to carry on when the din of an Italian comic opera in rehearsal broke in from the main auditorium.

Richard Fairman

Radio/**B.A. Young**

Community life

LAST Sunday, Radio 4, determined to ease us out of the distress we must all have felt at the Merseyside news, showed us lives of restraint. First, the start of *Goodbye to All That*, where Simon Parkes visits artistic communities. His first was Deya in Majorca, famous as the retreat of Robert Graves. Even in its best days it was evidently not without its faults; the poet Brian Patten recalled "screaming drunks". But quiet and, in those days, hard of access.

An hour after this came *In Search of Utopia*, also about life in communities, but of a different kind. Presenter Felicity Goodall dealt mainly with the feelings of children in such places, where (at Bruderhof, for example) child-care, meals and property are all communally organised, and no intimacy is allowed until a couple are engaged. At Findhorn in the north of Scotland, perhaps the oddest of the visits, there is communication not only with plants but with fairies and elves, and this a religious foundation. It seems to work; cabbages grow there up to 40 lb! More communities next week.

Until the end of March, Radio 3 is reviewing the arts of the 1920s. Here is some of what is to come: archive recordings of literary grandees on their contemporaries; popular music of the time, English, American, German and even Russian; today's critics on new views of the then-current novelists; Maria Jolas, wife of the founder of *Transition*, on Paris figures like Picasso, Stravinsky and Joyce; a reappraisal of Aldous Huxley, with readings of some of his stories. Last Sunday's talk by Vita Sackville-West on *Orlando* and tomorrow's by Prince Antoine Bibesco on Proust make a good start. But Radio 3 listeners who complain about too much talk will be very cross.

Fay Weldon's *The Hole in the Top of the World* on Radio 3 on Sunday is basically a romantic piece. Matt, a famous scientist, studies the ozone layer from a lab in the Antarctic with Nina, a young female scientist and rival to his wife Simone, but Ms Weldon does not write basic pieces. Simone thinks Matt to be in danger, not only from Nina, sharing his work and contemplating marriage, but from "the UVs" through the hole in the ozone. The hole, Simone believes, is due not to CFCs but to all our illusions breaking out into space. This theory is more interesting than Simone's trip to the Antarctic lab with her toy-boy Andrew, soon seduced by Nina. Perhaps it is basic, after all. The cast are all American, with Walter Matthau as Matt, not one of his great performances. The co-production with LA Theatre Works was recorded in Santa Monica under Shaun MacLoughlin.

on Thursday Radio 4 gave *The Architect's Dream* by Neil Rhodes. The dream was to build a two-mile-high city, clearing all the neighbouring land, but Ashley, the architect, retired first, and is now just building an extension to his retired neighbour Eric's house. Eric's wife, Mildred, is as silly as Ashley's wife Kay is bossy, and the two dislike one another within neighbourly bounds. Eric, making a model of Ashley's dream, sensibly bashes Mildred with a hammer. Disputes are forgotten when Ashley visits him in the prison hospital. Kay and Mildred become mates too, and that's about all there is. I thought the characters boring and the dialogue dull. Richard Wortley directed.

The essence of Matisse

*Even if you went to the New York exhibition – go to Paris, says **William Packer***

AMID THE critical debate that has lately erupted, at least in Britain, as to the relative worth of the current product of the avant-garde, it is salutary to be reminded that there is rather more to the modernist tradition than a urinal, a set of bricks, a fish in a tank or a bloody frozen head. It was, after all, not so very long ago – around Christmas 1945 – that the liberation of Europe was opportunely celebrated at the V&A by a joint exhibition of the work of Picasso and Matisse, to hoots of derision and letters to *The Times*.

Picasso at his most mischievously cynical was summoned only the other day to further the case the modern was never more than the exploitation of the gullible, an argument to which his work has always given the lie – witness the magnificent exhibition of his still-lifes that was in Paris only last autumn. Now it is the turn of Matisse, whose vast retrospective at the Museum of Modern Art in New York over the winter was described as the exhibition of the century. To my chagrin, it was a show I was unable to see, but now the Centre Pompidou in Paris happily offers a more than compensatory alternative.

Indeed it is the measure of the Paris exhibition that one wonders a superior were possible. For this is no truncated version of the New York show: rather it is a substantial study, concentrated and distinct, of the young Matisse in his early maturity, as he moved from tentative experiment to magisterial authority. It was a transition achieved in barely ten years and, in marking that achievement, we discover the essence of Matisse. Those who did get to New York would not find a trip to Paris a waste of time. This is a very different exercise.

But, the young Matisse? It is always hard to think of Matisse as ever exactly young, and this show starts with him already 34. He had been active in Paris some ten years, showing regularly at the Salon des Indépendants, but his work was more remarkable for what we now know would come of it than for what it was – a serious, well-ordered and strongly-modelled but somewhat academic post-impressionism. We pick him up at Saint Tropez and back in Paris in 1904, and still he is the creature of external influence – now of *pointillisme* and colour theory, now to some extent of Gauguin. By the following year and his trip to the south, this time to the little port of Collioure, he is entirely his own man.

The shift may not seem overdramatic. The colour remains clean and bright within its comparatively limited range of reds and yellows, greens and blue, and the brush-mark as distinct and direct as ever. But yet, but for the odd painting of "le port d'Abaill", that is a true throw-back to the pointillist systems of the year before, there is a new confidence in the spirit of this more clearly radical work, a new certainty in the statement of the image, and a renewed simplicity in the working of the surface, no matter how rapid or direct. A view over the roofs of Collioure and across to the far side of the bay marks the change, with its positive, spade-like strokes of the brush, its clarity of colour and the broad simplicity of its drawing. The drawing is the painting: the painting is the colour: the colour is the image. Here suddenly is the true *fauve* at large.

This may not be the most obvious shift in the course of Matisse's career, but none is more significant. Through all the changes that would follow, of interest, scale or practice, these would remain constant: the simplicity and directness of the drawing; the simple certainty of the composition; the act of drawing itself inseparable from the act of painting; and the authority of colour as colour, used not as mere function of reference or record but celebrated for what it is – black as black, red as red, green never so green.

The young Matisse: self-portrait of 1906

The "Red Studio" of 1911 is a broad, flat, rich field of unmodulated indian red, yet filled with space and light by the artist's own paintings on the wall, the pile of frames in the corner, and the pots on the table. The "Porte-fenêtre" of 1914, by coincidence again at Collioure but so close in spirit to the Paris studio paintings of earlier that year, is as simple as any Rothko with its vertical bands, blue, grey, green and black, black as night. Yet the space is there, and the sense of the space out in the night beyond, and all achieved by the simple device of the narrow strip of a darker grey that runs along to mark the floor at the angle of the open window.

And what do we then make of Matisse? Why is he so important, so great an artist? What is the point of him? But then to chase influences and effects is really to miss the point, just as it would be with Titian, or Rembrandt or Velasquez. We can only say: Matisse is simply Matisse. There he is in his Collioure self-portrait of 1906, in his striped vest, cropped hair and full set, looking into the glass and out at us: and there is the paint on the surface, full and rich, and there the bold, simple line, and simple, monumental image, oh, so deceptively simple. And why did he do such things? Because it interested him do so, for its own sake. Look at the work.

Henri Matisse - 1904-1917: Centre Georges Pompidou, Paris, until June 21: sponsored by the Fondation Elf

Off the Wall/Antony Thorncroft

Job for a millionaire

IF THERE is a millionaire out there who enjoys first nights at the opera and the theatre and has a fairly clear diary for the next five years the perfect job is hovering on the horizon. Lord Palumbo has made it plain that he will relinquish the chairmanship of the Arts Council when his term comes to an end in April 1994.

Lord Palumbo was far from being the first choice when selected but he has grown in confidence over the years and no one could fault him on diligence. He made the Council his life, helped perhaps by the comatose state of the property market, the source of his fortune. His major contribution has been getting the Millennium Fund idea off the ground.

As chairman Lord Palumbo had one other minor advantage to the Government: he was amazingly cheap. He paid for his car and chauffeur, never claimed expenses, and entertained Arts Council members, and the arts generally, out of his own pocket. A successor needs to be almost as rich because the post is unpaid. Heritage Minister Peter Brooke will probably allow you to claim travel, and other expenses, if he is really keen for you to do the job.

Who will succeed Palumbo? The likes of Lord Sainsbury, who turned down the chairmanship last time round, will not be interested. There is always Lord Archer, but the fragrancy of a women chairperson might favour Lady Archer. Much depends upon what sort of Arts Council the new chairman will inherit. The consultants are about to move in again for yet another overhaul and there may not be much left to rule over.

The Department of Heritage can never quite make up its mind what kind of Council it wants: in the last five years it has moved from imminent extinction to extra powers back to shrinkage with uncanny speed. If the consultants recommend a slimmed down advisory Council, the masthead could well be served by Prince Edward. On the other hand the main attraction has always been that it confers a title on the recipient, which could bring a bright commoner to the fore.

*

In a recession museums come into their own. They tend to retain their purchasing grants, however small, while private collectors cut back. The most expensive Old Master pictures sold these days end up in American institutions. Last month the Kimbell at Fort Worth paid \$2.4m for a late 15th century portrait, perhaps by Memling, and this week the Getty in Malibu gave £11m to Royal Holloway College for Turner's whirling seascape, "Van Tromp going about to please his masters".

So it is a shrewd move for Colnaghi's, the Bond Street dealers, to invest in a fine new gallery which, with its red wall covering and natural daylight, resembles many a museum. It will be used to hang "museum" pictures, one of which, a Guercino, has already been sold. The gallery is the jewel from Colnaghi's acquisition for something approaching £10m of its adjacent building, giving it a line of three prime freeholds. Obviously Colnaghi's owner, German food magnate Rudolf Oetker, is confident that the worst is now over for Old Masters.

As for the Getty Turner, the Royal Holloway College undoubtedly trampled over the wishes of its pill-producing founder in selling the painting but it got a very good price, a record for a British picture. The temporary export block to give the British a chance to raise a matching sum will be a formality, and there is much to be said for fine works by the UK's greatest artist entering major overseas collections. If a gallery in the UK needs a Turner, the Tate has plenty in its vaults that it might lend.

It is noteworthy that the College sold the Turner privately. In the last couple of years Turner oils have fared badly in the saleroom: a discreet sale reduced the hostility to the transaction and prevented a public failure, which would have lessened the value of the Turner.

The knee-jerk reaction of the museum establishment to the sale overseas was predictable. Of course it sets an unwelcome precedent, but no comparable institution has such magnificent pictures and after this furore Royal Holloway is unlikely to split up its superb art collection. It might even repair its image by making it more accessible. Turner is poorly represented overseas: more British people will see it in California than at Egham.

*

The Festival Hall is seeking to widen its repertoire, and from today until Tuesday night it will be showing off its flexibility for the very best of causes. War Child, a charity set up last month to help children caught up in hostilities, specifically in the former Yugoslavia, has taken the Hall for four nights. Tonight John Thaw hosts a classical night, with pianist Peter Donohoe, among others; Sunday features contemporary jazz; Monday comedy with Jo Brand, Jim Tavare, etc; and Tuesday, rock with the Blues Band, the Bhundu Boys, and more.

Schubert, with 'piano' foibles

ON Tuesday Richard Goode played Schubert sonatas on the South Bank; on Wednesday there were Schubert impromptus in Nikolai Demidenko's Wigmore Hall programme, the third of six in his "selectively subjective" conspectus of the historical repertoire.

These pianists, American and Russian, had little else in common but their formidably intelligent address - and a couple of foibles. They both allowed their Steinways heavy, carnivorous roars in the bass, which no instrument that Schubert and his contemporaries knew could have emitted. Sometimes that incurred real musical distortions: in Goode's sonatas D.537 and D.840, and in Demidenko's otherwise splendid account of the Weber Sonata no. 2, which was often bottom-heavy. Contrariwise both pianists were shy with lyrical *piano* passages, which tended to have wan expressive profiles, treated with the caution of connoisseurs handling Fabergé eggs.

In everything sturdier, they had their own quite different virtues. Every sound that Demidenko makes has been polished to his own exalted standards of perfection, every sequence tailored to its context, keyboard-balance finely calibrated - except in Weber! – and the whole planned to the hilt. That is his way of realising his chosen scores. Goode, a Classicist of rapidly widening reputation, goes more aggressively for dramatic sense. His Schubert had some hard, unlovely moments, but also a wealth of hard-forged ideas, and urgent purpose.

Goode was generally very sparing with the pedal – perhaps on advice, for too generous pedalling will blot in the Queen Elizabeth Hall; but the tantalisingly incomplete D.840 did sound uncomfortably lean in places, and its dramatic turns rudely abrupt. All in all, he seemed to play Schubert as if he were Beethoven, which was illuminating but not the whole story. The Beethoven cycle we are promised from *Goode next year should be the real goods.*

Demidenko gave us Beethoven, the C major Sonata op. 2 no. 3; it was as good as expected - clean, elegant, virtuosic - but not excitingly better. As for his four Schubert Impromptus, D.935, it was strange to find the familiar magical passages simply disappearing beneath such superbly refined pianistic dress.

After the interval, however, Demidenko made brilliant amends with his Czerny (the Variations on "La ricordanza"), his Voříšek Fantasia, and to be fair his Weber sonata too. Not only were the required digital feats brilliant as could be, but he melted warmly, almost expansively, into the sentiments of all that music – partly, no doubt, because they are so explicitly rendered in the figuration and the arabesques. Given those express demands, Demidenko revelled in them; and so did we all. A prickly, oblique artist he may be, but also a master pianist with few peers.

David Murray

Chess No 962: 1 bxc6? Nh3+ 2 Kf1 Rxg2! 3 Kxg2 Qg5+ when if 4 Kf3 Qg4, 4 Kf1 Bh3, or 4 Kh1 Nxf2 all mate.

TELEVISION

SATURDAY

BBC1

7.25 News. 7.30 Henry's Cat. 7.35 Wiz Bang. 7.50 Littl' Bits. 8.10 Eggs 'n' Baker. 8.35 Tom and Jerry: Greatest Hits. 9.00 Going Live!

12.12 **Weather.**
12.15 **Grandstand.** Introduced by Steve Rider. Including 12.20 Football: Reviewing last week's FA Cup fifth-round replays. 12.50 News. 12.55 Racing from Haydock Park: The 1.00 Petros Victor Ludorum Hurdle. 1.10 Boxing: Frank Grant v John Ashton for the British Middleweight title. 1.25 Racing: The 1.30 East Lancs Chase. 1.40 Indoor Bowls: The World Championship Pairs Final from Preston. 1.55 Racing: The 2.00 Greenalls Gold Cup (H'cap) Chase. 2.10 Indoor Bowls. 2.25 Racing: The 2.30 Ladbroke Racing Handicap Hurdle. 2.40 Indoor Bowls. 2.55 Rugby League: Leeds v Castleford. Live coverage from the third round of The Challenge Cup. 3.45 Football Half-Times. 3.55 Rugby League. 4.35 Final Score. Times may vary.
5.15 **News.**
5.25 **Regional News and Sport.**
5.30 **That's Showbusiness.**
6.00 **Noel's House Party.**
6.55 **The Paul Daniels Magic Show.** Final programme in the series, featuring a special open-air illusion in which a blindfolded Paul drives a car along a route lined with exploding beacons. Guests include the Bauer family from Germany with their death-defying circus act.
7.50 **Casualty.** Rob gets a shock when he treats a patient on his last day in the department, and Duffy announces she's getting married. But tragedy strikes when Holby City Hospital becomes a blazing inferno, threatening the lives of the staff and patients. Starring Jason Riddington, Derek Thompson and Cathy Shipton.
8.40 **Birds of a Feather.** Comedy, starring Linda Robson, Pauline Quirke and Brefini McKenna.
9.10 **News and Sport; Weather.**
9.30 **That's Life!**
10.10 **Match of the Day.** Highlights from two FA Premier League matches.
11.15 **Film: Foreign Body.** Sex comedy starring Victor Bannerjee as an ex-brothel attendant from India who poses as a doctor in London, providing special treatment for eager hordes of upper-class female patients (1986).
1.05 **Weather.**
1.10 **Close.**

BBC2

6.40 Open University.

3.00 **Film: Witness for the Prosecution.** Tyrone Power stars as an alleged murderer, with Marlene Dietrich as his wife and Charles Laughton as his defence counsel. Courtroom drama based on Agatha Christie's play (1957).
4.55 **Indoor Bowls.**
6.00 **Late Again.**
6.40 **Scrutiny.** Report on the work of Parliament's select committees.
7.10 **News and Sport; Weather.**
7.25 **Sounds of the Seventies.**
8.00 **Birthnight: Labour Pains.** Introducing an evening of programmes about birth.
8.05 **Conceptions and Misconceptions.** Thora Hird recalls old wives' tales about pregnancy and giving birth.
8.25 **Labour of Love.** Childbirth and baby care as the late Victorians knew it.
9.10 **Wax After Birth.**
9.30 **Special Deliveries.** Part one of a documentary looking at daily life in the maternity unit of London's Homerton Hospital, and the progress of four first-time mothers-to-be.
9.45 **The American Way of Birth.** Jessica Mitford, author of the highly acclaimed book The American Way of Birth, looks at some of the more bizarre aspects of having a child in the US, including dolphin-assisted births.
10.10 **Born to be Wild.** David Attenborough looks at birth in the animal world with clips from the natural history archive.
10.30 **Special Deliveries.** An epidural eases the pain for Zahra. Part two of the documentary following the progress of four first-time mothers-to-be.
10.40 **Robin Williams: Proud Father.**
10.45 **It's All Right Darling, I'm Here.** A look at birth through the eyes of the father. Including the happy and distressing real-life experiences of three recent fathers, and clips from the film archives ranging from a terrified Michael Crawford to a petrified James Stewart.
11.15 **Special Deliveries** Part three.
11.25 **Film: Rosemary's Baby.** Roman Polanski's supernatural chiller stars Mia Farrow as a pregnant young wife who realises her husband (John Cassavetes) is a member of a Satanist coven (1968).
1.45 **Close.**

LWT

6.00 GMTV. 9.25 What's Up Doc? 11.30 Movies, Movies, Movies. 12.30 The ITV Chart Show.

1.00 **ITN News; Weather.**
1.05 **London Today; Weather.**
1.10 **European Champions' League Special.** Ian St John and Jimmy Greaves preview Rangers' Wednesday-night European clash against Club Brugge in Belgium.
1.40 **WCW Worldwide Wrestling.** Grappling action in the canvas ring.
2.30 **Snooker: The British Open.** Stephen Hendry v Eddie Charlton; Jimmy White v Joe Johnson. Nick Owen presents the action as the world's top players converge on the Assembly Rooms in Derby to compete for the title.
4.40 **ITN News and Results; Weather.**
5.00 **London Tonight and Sport; Weather.**
5.10 **Baywatch.**
6.00 **Blind Date.**
7.00 **Barrymore.** Michael Barrymore with comedy, music and entertainment.
7.45 **Inspector Morse: Cherubim and Seraphim.** In the final episode of the series, Morse confronts the generation gap when tragedy strikes his own family. Investigations lead him and Lewis into the world of acid house parties, raves and hallucinogenic drugs. Guest starring Isla Blair, Sorcha Cusack and Jason Isaacs.
9.45 **Tarrant's 10 Years on TV.**
10.15 **The Big Fight - Live!** Herbie Hide v Michael Murray. Hide from Norwich makes a bid for the British Heavyweight title against Manchester-born Murray.
11.05 **ITN News; Weather.**
11.20 **London Tonight; Weather.**
11.25 **Snooker: The British Open.**
1.00 **Film: Help!** The Beatles are chased round the world by an oriental priest who wants to get his hands on a sacred ring - which just happens to be adorning Ringo's finger. With Leo McKern, Victor Spinetti, Eleanor Bron and Roy Kinnear (1965); ITN News Headlines.
2.40 **Film: A Hard Day's Night.** Richard Lester's semi-documentary film of life on the road with the Beatles, which including many of their hits. Wilfrid Brambell, Victor Spinetti and Anna Quayle also star (1964).
4.20 **Rock Sport.; ITN News Headlines.**
4.25 **BPM.; Night Shift.**

CHANNEL4

6.00 Early Morning. 10.00 Trans World Sport. 11.00 Gazzetta Football Italia. 12.00 Road Dreams. 12.30 pm Songs and Memories.

1.00 **Film: No Sad Songs For Me.** A young wife, terminally ill with cancer, decides to save her husband and daughter the pain of knowing about her condition. Moving melodrama, starring Margaret Sullavan (1950).
2.40 **Racing from Kempton.** Including the 3.00 Tote Placepot Hurdle, 3.35 Mitsubishi Shogun Pendil Trophy Novices Chase, 4.10 Racing Post Chase Handicap and the 4.40 Rendlesham Hurdle. Introduced by Derek Thompson.
5.05 **Brookside.**
6.30 **Right to Reply.** Sheena McDonald introduces more viewers' ideas and reports about TV; News.
7.00 **A Week in Politics.** An offbeat look at the week's parliamentary news from both Houses.
8.00 **Adventures: Into the Great Solitude.** Naturalist Robert Perkins' 72-day solo voyage by canoe along the treacherous 700-mile Back River. Journeying along the toughest waterway of Canada's Northwest Territories, Perkins faced ice-covered lakes, the harsh tundra and the eerie world of the Arctic twilight.
9.00 **Tales from the Hollywood Hills.** Sisters battle over a book of kiss-and-tell memoirs. Lynn Redgrave and Rosemary Harris star in this PG Wodehouse story.
10.00 **Saturday Zoo.**
11.05 **Ready Steady Go!**
11.40 **Adult Oprah.** Men who have been molested by women talk about their experiences. Including interviews with a man whose mother slept in his bed for years, and a woman who was convicted of sexually abusing a 14-year-old boy.
12.30 **Film: Over The Brooklyn Bridge.** A Jewish cafe owner in Brooklyn wants to buy a restaurant and his uncle agrees to loan him the money - provided he leaves his Catholic girlfriend. Romantic comedy, starring Elliott Gould (1984).
2.30 **The Word.**
3.30 **Close.**

REGIONS

ITV REGIONS AS LONDON EXCEPT AT THE FOLLOWING TIMES:-

ANGLIA: 1.05 Anglia News. 1.40 Snooker: The British Open. 5.00 Anglia News and Sport 11.20 Regional Weather.

BORDER: 1.05 Border News. 1.10 Kick Off. 2.05 Granada Sport Action. 5.00 Border News and Weather

CENTRAL: 1.05 Central News 1.40 Snooker: The British Open. 5.00 Central News 5.05 The Central Match - Goals Extra. 11.20 Local Weather.

CHANNEL: 1.05 Channel Diary. 1.40 Snooker: The British Open. 5.00 Channel News. 5.05 Puffin's Pla(i)ce.

GRAMPIAN: 1.05 Grampian Headlines 1.40 Speaking Our Language. 2.10 Tomas Toiteach 'S A Charaldean. 2.15 Police News. 2.20 Snooker: The British Open. 5.00 Grampian Headlines 5.05 Small Talk. 11.20 Grampian Weather.

GRANADA: 1.05 Granada News 1.10 Kick Off. 2.05 Granada Sport Action. 5.00 Granada News 5.05 Granada Goals Extra.

HTV: 1.05 HTV News. 1.40 Snooker: The British Open. 5.00 HTV News and Sport 11.20 HTV Weather.

HTV Wales as HTV except: No variations.

MERIDIAN: 1.05 Meridian News. 1.40 Snooker: The British Open. 5.00 Meridian News. 5.05 Saturday Sport.

SCOTTISH: 1.05 Scotland Today. 1.40 Speaking Our Language. 2.10 Celebrity Squares. 2.40 Snooker: The British Open. 5.00 Scotsport Results. 5.15 Rock Sport. 5.30 The Box. 5.45 Scotland Today 11.20 Scottish Weather.

TYNE TEES: 1.05 Tyne Tees News. 1.40 Snooker: The British Open. 5.00 Tyne Tees News.

ULSTER: 1.05 UTV Live Lunchtime News 1.05 Saturday Sport. 5.00 UTV Live Early Evening News 5.05 Saturday Sport. 11.20 UTV Live Lunchtime News

WESTCOUNTRY: 11.30 Anybody Out There? 1.05 Westcountry Weekend Latest. 1.40 Movies, Movies, Movies. 2.30 Snooker: The British Open. 5.00 Westcountry Weekend Latest.

YORKSHIRE: 1.05 Calendar News. 1.40 Snooker: The British Open. 5.00 Calendar News.

S4C Wales as Channel 4 except:- 7.05 Early Morning. 12.00 The Wonder Years. 12.30 Hog Heaven. 1.00 The Rains Came. (1939) 6.30 Magic Roundabout. 6.35 Now You're Talking. 7.00 Newyddion Nos Sadwrn. 7.25 Traed Oer. 7.00 I Dir Dryglonl. 8.40 Tocyn Tymor. 9.30 Benny Hill.

SUNDAY

BBC1

7.00 Felix the Cat. 7.15 Smoggies. 7.40 Playdays. 8.00 Superbods. 8.15 Breakfast with Frost. 9.15 People on the Way. 10.00 See Hear! 10.30 Japanese Language and People. 11.00 Computing for the Terrified. 11.30 Off the Back of a Lorry.

12.00 **Advice Shop.** Welfare rights magazine.
12.30 **CountryFile.**
12.55 **Weather for the Week Ahead; News.**
1.00 **On the Record.** Political interviews and analysis, with Jonathan Dimbleby.
2.00 **EastEnders.**
3.00 **Film: The Tamarind Seed.** A holiday romance develops into a passionate love affair between a British home office secretary and a KGB official. Drama, starring Julie Andrews, Omar Sharif and Anthony Quayle (1974).
5.00 **The Clothes Show.** A look at the career of deaf fashion designer Pui Lam, and a report on how the London College of Fashion came to the rescue of an amateur dramatic society's latest production.
5.25 **The Antiques Roadshow.** The experts visit Aberdeen where items include a valuable toby jug, and an elaborate brooch by Parisian jewellery designer Gustave Baugrand.
6.10 **News; Weather.**
6.25 **Village Praise.**
7.00 **Last of the Summer Wine.**
7.30 **Lovejoy.**
8.25 **A Year in Provence.** John Thaw and Lindsay Duncan star in this 12-part comedy drama about a couple who leave their jobs in England and head for the good life in France.
8.55 **One Foot In the Grave.**
9.25 **News; Weather.**
9.40 **Mastermind.**
10.10 **Everyman.** The contrasting prospects for children in Britain and the Third World. The programme explores what the future holds for one young Bangladeshi girl and looks at how the world values children in different cultures.
10.50 **Winning.** Giving expert advice to the manager of a multi-million pound furniture outlet.
11.20 **Famously Fluent.** Cameraman Mohamed Amin demonstrates his knowledge of 14 languages.
11.25 **The Seaside Trains.** Gwyn Richard looks at the West Somerset Railway line.
11.55 **Weather.**
12.00 **Close.**

BBC2

8.15 Open University. 9.10 Christopher Crocodile. 9.15 The Animals of Farthing Road. 9.40 Time Busters. 10.05 Teenage Mutant Hero Turtles. 10.30 Century Falls. 10.55 Blue Peter Omnibus. 11.45 The O Zone. 12.00 Thunderbirds. 12.50 pm Millennium: Tribal Wisdom and the Modern World.

1.45 **Indoor Bowls.** Action from the World Championship Singles Final.
2.00 **Around Westminster.** Regional news from Parliament.
2.30 **Indoor Bowls.** More coverage of the World Championships Singles Final.
4.35 **Ski Sunday.**
5.10 **Rugby Special.** West Hartlepool v Wasps; Waterloo v Harlequins.
6.10 **The Natural World.** Investigating the secret life of an unknown superpower - the ant kingdom.
7.00 **The Money Programme.** Examining the ailing fortunes of Lucas industries, an engineering company once on the road to becoming a major force in the world market.
7.40 **The Adventurers.** The last programme in the series sees the high-flying plans of the Grosvenor Venture Managers forced down to earth. The company needs to borrow money to prop up its latest investments and, for once, the tables are turned as they set out to convince potentially large-scale investors to support them. With the future of Grosvenor hanging in the balance, the stakes are high.
8.20 **Dancing.** Miranda Richardson examines the increasing importance of the choreographer in 20th century dance.
9.20 **Did You See?.**
10.00 **Screen Two: Prague.** A contemporary love story set in the magical European city. RSC actor Alan Cumming plays a young Scot who, hoping to find a missing part of his family history, visits Prague in search of vintage newsreel footage. His journey is dogged by bad luck - until he meets a beautiful woman and begins an affair.
11.30 **The Dave Thomas Show.** Comedy sketches.
11.55 **Film: The Phenix City Story.** Crime melodrama about a crusading lawyer determined to break the reign of terror in a violent American town. Richard Kiley stars as the crusading attorney (1955).
1.25 **Close.**

LWT

6.00 GMTV. 9.25 Disney Club. 10.45 Link. 11.00 Morning Worship. 12.00 This Sunday. 12.30 pm Crosstalk; London Weather.

1.00 **ITN News; Weather.**
1.10 **Walden.** Tony Blair MP, shadow home secretary, talks about the ever-increasing incidence of crime.
2.00 **The London Match.** Highlights of yesterday's Football League action, including Leyton Orient v Stoke City, Millwall v Cambridge Utd, and West Ham Utd v Sunderland.
3.00 **Snooker: The British Open.** Dennis Taylor v James Wattana; Steve Davis v Steve James. Fifth-round coverage from the Assembly Rooms in Derby.
5.00 **Wish You Were Here?** Judith Chalmers visits Boulogne to see if traditional holidays will survive after the Channel Tunnel opens. John Carter is in Angus, Scotland, while Alison Holloway treks into the Atlas Mountains of Morocco.
5.30 **Bullseye.**
6.00 **London Tonight; Weather.**
6.20 **ITN News; Weather.**
6.30 **Murder, She Wrote.** Jessica launches an investigation to clear the name of a sheriff who is accused of murdering an ambassador's son.
7.25 **Watching.**
7.55 **The Darling Buds of May.** New series. Packing the unruly twins off to boarding school has unexpected results for Pop Larkin. David Jason and Pam Ferris star.
8.55 **ITN News; Weather.**
9.15 **London Tonight; Weather.**
9.20 **Agatha Christie's Poirot.** David Suchet as the fastidious Belgian detective who tries to find the killer of an art dealer.
10.20 **Hale and Pace.**
10.50 **The South Bank Show.** Writer and biographer Edmund White's attempt to gather information about Jean Genet, the notorious French homosexual thief-turned-writer and political agitator.
11.50 **Encounter.** Fearing an increase in paganism and Eastern mystical practices, Kevin Logan, vicar of Christchurch in Accrington, researches the New Age, and talks to people about their spiritual beliefs.
12.20 **Snooker: The British Open.**
1.30 **Cue the Music.**
2.25 **Get Stuffed.; ITN News Headlines.**
2.30 **TXT.**
3.30 **Snooker.**

CHANNEL4

6.00 Early Morning. 9.30 Dennis. 9.45 Flipper. 10.15 The Miraculous Mellops. 10.45 Land of the Giants. 11.45 Little House on the Prairie.

12.45 **Journey to the Jade Sea.** Andrew Hartley crosses the Suguta Valley in north-west Kenya.
1.45 **Football Italia.** Sampdoria v AC Milan; Lazio v Genoa; and Fiorentina v Inter.
4.00 **Dyslexia.** Examining the often distressing experiences of adults and children with the condition.
5.00 **Mondrian.** Animation about the work of the famous painter.
5.10 **News.**
5.15 **High Interest: Closing the Watford Gap.** Visiting Leeds, Hull and Harrogate to find out how the North is weathering the current economic storm, and why the South has been hit harder by this recession.
6.00 **Moviewatch.** Reviewing Malcolm X, Spike Lee's controversial biopic of the ill-fated black civil rights leader; Honeymoon in Vegas, starring Nicolas Cage; and Sniper, with Tom Berenger.
6.30 **The Wonder Years.**
7.00 **Fragile Earth.** Examining the role of London's Tree Police, whose duty it is to deal with people who abuse trees by pruning, attacking and ring-barking them.
8.00 **Opinions: Britain 1993.** Professor Brian Cox, co-author of the 1970s book The Black Papers which criticised progressive education, speaks out on the state of the National Curriculum.
8.30 **Benny Hill.** Slapstick comedy.
9.00 **Lipstick on your Collar.** Part two of Dennis Potter's drama set in the mid-1950s. Francis sees his worst fears confirmed when he discovers the true identity of Sylvia's upstairs lodger.
10.10 **Film: Castaway.** Nicolas Roeg's adaptation of Lucy Irvine's bestseller, telling of her year-long stay on a deserted tropical island with Gerald Kingsland. Oliver Reed plays the publisher whose newspaper advert for a 'wife' to accompany him for a year in the tropics is answered by a bored London tax clerk (Amanda Donohoe) (1987).
12.20 **Film: Sango Malo, Maître Du Canton.** Drama about a teacher who runs into trouble with the authorities when he tries to teach his African pupils the harsh realities about their country. Starring Jerome Bolo (1991).
2.05 **Close.**

REGIONS

ITV REGIONS AS LONDON EXCEPT AT THE FOLLOWING TIMES:-

ANGLIA: 12.30 Food Guide. 12.55 Anglia News. 2.00 All-American Wrestling. 2.30 Snooker: The British Open. 5.00 Candid Camera Classics. 6.00 Anglia News on Sunday 9.15 Regional Weather.

CENTRAL: 12.30 Gardening Time. 12.55 Central News 2.00 WCW Worldwide Wrestling. 2.45 The Central Match - Live. 5.00 Bullseye. 5.30 Snooker: The British Open. 6.15 Central News 9.15 Local Weather.

CHANNEL: 12.30 Reflections. 12.35 Rendez-Vous Dimanche. 12.50 Telejornal. 2.00 Stuntmasters. 2.30 Snooker: The British Open. 5.00 Rockaport. 5.15 Bullseye. 5.45 The Entertainers. 6.15 Channel News.

GRAMPIAN: 10.45 Small Talk. 11.00 Sunday Service. 11.45 Link. 12.30 Gardener's Diary. 12.55 Grampian Headlines. 2.00 Wish You Were Here? 2.30 Snooker: The British Open. 5.00 Scotsport. 6.00 Grampian Headlines 6.05 Eikon. 6.15 Appeal. 9.15 Grampian Weather.

GRANADA: 12.25 What the MPs Say. 12.55 Granada News 2.00 The A-Team. 2.55 The Granada Match - Live. 5.15 Coronation Street. 6.15 Granada News

HTV: 12.25 HTV News. 12.30 HTV Newsweek. 2.00 Get Wet. 2.30 Snooker: The British Open. 5.00 Superstars of Wrestling. 5.45 Bullseye. 6.15 HTV News. 9.15 HTV Weather.

HTV Wales as HTV except: 12.30 Playback.

MERIDIAN: 12.30 Meridian This Week. 12.55 Meridian News. 2.00 Stuntmasters. 2.30 Snooker: The British Open. 5.00 Rockaport. 5.15 Bullseye. 5.45 Loud and Clear. 6.15 Meridian News.

SCOTTISH: 10.45 Wemyss Bay 902101. 11.30 Link. 11.45 Sunday Service. 12.30 Encounter. 12.55 Scotland Today 2.00 Scottish Questions. 2.30 Snooker: The British Open. 5.00 Scotsport. 5.55 Scotland Today 6.00 Eikon. 6.15 Appeal. 9.15 Scottish Weather. 11.50 This Sunday.

TYNE TEES: 12.25 Tyne Tees News Review. 12.50 Tyne Tees News. 2.00 For Real. 2.30 Snooker: The British Open. 2.55 The Tyne Tees Match. 5.30 Bullseye. 6.00 Tyne Tees Today Special. 6.15 Tyne Tees News. 9.15 Local Weather.

ULSTER: 12.25 Gardening Time. 12.55 UTV Live Lunchtime News 2.00 Bon Voyage. 2.30 Snooker: The British Open. 5.00 Police Six. 5.15 Coronation Street. 6.10 Witness. 6.15 UTV Live Early Evening News 9.15 UTV Live Evening News

WESTCOUNTRY: 12.30 West Wise. 12.55 Westcountry Weekend Latest. 2.00 Westcountry Update. 2.30 Snooker: The British Open. 5.00 Cartoon Time. 5.15 Bullseye. 5.45 On the Road to the Islands. 6.15 Westcountry Weekend Latest.

YORKSHIRE: 12.25 The Littlest Hobo. 12.50 Calendar News. 2.00 For Real. 2.30 Snooker: The British Open. 5.00 Cartoon. 5.20 Bullseye. 5.50 Calendar News and Weather 9.15 Local Weather.

RADIO

SATURDAY

BBC RADIO 2
6.00 Barbara Sturgeon. 8.05 Brian Matthew. 10.00 Anne Robinson. 12.00 Hayes on Saturday. 1.30 For Better or for Worse. 2.00 Ronnie Hilton. 3.00 Steve Race. 4.00 Fats Domino at 65. 5.00 Cinema 2. 5.30 Nick Barraclough's New Country. 6.00 Joe Brown In Concert. 7.00 I've Heard That Song Before. 7.30 Concert Classics. 9.30 David Jacobs. 10.00 The Arts Programme. 12.05 Ronnie Hilton. 1.00 Charles Nove. 4.00 Barbara Sturgeon.

BBC RADIO 3
6.35 Open University: Mystery Plays. 6.55 Weather. 7.00 Record Review. 1.00 News. 1.05 Scotland's Music. 3.00 The Koussevitzky Legacy. 5.00 Jazz Record Requests. 5.45 Third Opinion. 6.30 Live from the Met – Cavalleria Rusticana. 8.25 Live from the Met – I Pagliacci. 9.50 Dancing on a Tightrope. 10.30 Straight Face. 12.30 News. 12.35 Close.

BBC RADIO 4
6.00 News Briefing. 6.10 The Farming Week. 6.50 Prayer for the Day. 7.00 Today. 9.00 News. 9.05 Sport on 4. 9.30 Breakaway. 10.00 Loose Ends. 11.00 The Week in Westminster. 11.30 From Our Own Correspondent. 12.00 Money Box. 12.25 Just a Minute! 1.00 News. 1.10 Any Questions? 2.00 Any Answers? 071-580 4444. 2.30 Playhouse. 3.45 My Four Green Fields. 4.00 Age to Age. 4.30 Science Now. 5.00 Costing the Earth. 5.30 Fourth Column. 6.00 News and Sports 6.25 Week Ending. 6.50 On the Ropes. 7.20 Kaleidoscope. 7.50 Saturday Night Theatre. 9.20 Music in Mind. 9.50 Ten to Ten. 10.00 News. 10.15 The Open Mind. 10.45 Eve and Adamson Again. 11.00 Richard Baker Compares Notes. 11.30 Lionel Nimrod's Inexplicable World. 12.00 News. 12.30 Close.

BBC RADIO 5
6.00 World Service. 8.30 Mark Curry's Weekend Edition. 9.30 Get Set. 10.30 Tales of the Texas Rangers. 11.10 Go! 12.00 Sport on 4 Plus 1. 12.30 Sportscall. 1.30 Sport on Five. 6.00 Sports Report. 6.05 Six-O-Six. 7.30 Afropop Worldwide. 8.30 Le Top. 9.30 Nightbeat. 10.05 Sports Bulletin. 10.15 On the Level. 12.00 Close.

WORLD SERVICE
BBC for Europe can be received in western Europe on medium wave 648 kHZ (463m) at these times GMT:
6.00 News; The World Today. 6.30 French programmes. 7.00 Newsdesk. 7.30 People and Politics. 8.00 News; Words of Faith; A Jolly Good Show. 9.00 News; Business Report; Worldbrief. 9.30 Personal View. 9.45 Sports Roundup. 10.00 News Summary; Jazz Now and Then; Letter From America. 10.30 Waveguide; Book Choice; From The Weeklies. 11.00 Newsdesk. 11.30 BBC English. 11.45 Mittagsmagazin: News in German. 12.00 News; Words of Faith. 12.15 Multitrack 3. 12.45 Sports Roundup. 1.00 Newshour. 2.00 Club 648. 2.15 Personal View. 2.30 Sportsworld. 3.00 News; Sportsworld continued. 4.00 News; News About Britain; BBC English. 4.30 Headlines in French. 4.30 German programmes. 5.00 News; Sportsworld. 5.30 French programmes. 6.00 Newsdesk. 6.30 German programmes. 8.00 News; Personal View; Words of Faith. 8.30 Europe This Weekend. 8.55 European Sports News. 9.00 Newshour. 10.00 News; Meridian. 10.45 Sports Roundup. 11.00 News; Words of Faith; Book Choice; A [illegible]ly Good Show. 12.00 Newsdesk. 12.30 The Ken B[illegible] Show. 1.00 News; Play [illegible] the Week: In the Native S[illegible]. 2.00 Newsde[illegible]; Gods, Guides And G[illegible]. 3.00 News; [illegible]ews About Britain. 3.15 Sports Roundup. 3.30 From Our Own Correspondent. 3.50 Write On. 4.00 News. 4.15 Inside The Photograph Album. 4.30 Business Review. 4.45 German programmes.

SUNDAY

BBC RADIO 2
7.00 Colin Semper. 9.05 John Sachs. 10.30 Brian Hayes on Sunday. 12.00 Desmond Carrington. 2.00 Benny Green. 3.00 Alan Dell. 4.00 Stars of the Fifties. 4.30 Sing Something Simple. 5.00 Charlie Chester. 7.00 Richard Baker. 8.30 Sunday Half Hour. 9.00 Alan Keith. 10.00 Arts Programme. 12.05 Nick Barraclough's New Country. 12.35 Charles Nove.

BBC RADIO 3
6.35 Open University: Patterns of Consumption - The Affluent and the Poor. 6.55 Weather. 7.00 Sunday Morning Concert. 9.00 News. 9.05 Brian Kay's Sunday Morning. 12.00 Spirit of the Age. 1.00 News. 1.05 Replay. 1.25 From the Proms 1992. 3.00 Edington Music Festival. 4.00 Towards the Millennium. 6.15 Hermit Songs. 6.30 Gyorgy Pauk and Ralph Kirshbaum. 7.30 Sunday Play. 9.05 Rostropovich Conducts Britten. 11.00 Tears and Passionate Pavans. 11.20 Music In Our Time. 12.30 News.

BBC RADIO 4
6.00 News Briefing. 6.10 Prelude. 6.30 Morning Has Broken. 7.00 News. 7.10 Sunday Papers. 7.15 On Your Farm. 7.40 Sunday. 8.00 News. 8.10 Sunday Papers. 8.50 Desmond Wilcox. 9.00 News. 9.10 Sunday Papers. 9.15 Letter from America. 9.30 Morning Service. 10.15 The Archers. 11.15 News Stand. 11.30 Pick of the Week. 12.15 Desert Island Discs. 1.00 The World This Weekend. 2.00 Gardeners' Question Time. 2.30 Classic Serial. 3.30 The Radio Programme. 4.00 Analysis. 4.47 The Wedge Between Us. 5.00 From the Pool to 100 and a Fish. 5.30 Poetry Please! 6.00 Six O'Clock News. 6.15 Feedback. 6.30 Jack's Last Tape. 7.00 Nearest and Dearest. 7.30 Bookshelf. 8.00 A Taste of Portuguese. 8.30 Goodbye to All That. 9.00 The Natural History Programme. 9.30 Special Assignment. 10.00 News. 10.15 In Search of Utopia. 11.00 In Committee. 11.30 Seeds of Faith. 12.00 News.

BBC RADIO 5
6.00 World Service: World News. 8.30 Mark Curry's Weekend Edition. 9.30 The Unopened Casebook of Sherlock Holmes. 10.00 Johnnie Walker. 11.30 Fantasy Football League. 12.30 Simon Fanshawe's Sunday Brunch. 1.45 Open Forum. 2.00 Money Talk. 2.30 They Think It's All Over. 3.00 Sunday Sport. 6.00 A Century Remembered. 6.30 Education Matters. 7.00 Sportsdesk. 7.20 Open University. 10.10 Across the Line. 12.00 Close. 1.05 Cricket.

WORLD SERVICE
BBC for Europe can be received in Western Europe on Medium Wave 648 kHZ (463m) at the following times GMT:
6.00 News; Letter From America. 6.30 Programmes in French. 7.00 Newsdesk. 7.30 From Our Own Correspondent. 7.50 Write On. 8.00 News; Words of Faith; Classics with Kay. 9.00 News; Business Review. 9.15 Short Story: Supper Before We Go. 9.30 Folk Routes. 9.45 Sports Roundup. 10.00 News Summary; Science in Action. 10.30 In Praise of God. 11.00 Newsdesk; BBC English. 11.45 News and British Press Review in German. 12.00 News Summary. 12.01 Play of the Week: In The Native State (part one). 1.00 Newshour. 2.00 News Summary. 2.01 It's Your World Phone-ins. 3.00 News. 3.15 International Recital. 4.00 News; News About Britain. 4.15 BBC English. 4.20 News Headlines in French. 4.30 Programmes in German. 5.00 News and Business Review. 5.15 Club 648. 5.30 Programmes in French. 6.00 Newsdesk. 6.30 Programmes in German. 8.00 News; Folk Routes; Words of Faith. 8.30 Europe Tonight. 9.00 Newshour. 10.00 News; Meridian. 10.45 Sports Roundup. 11.00 News; Business Review; Classics with Kay. 12.00 Newsdesk. 12.30 In Praise Of God. 1.00 News Summary; What's News? 1.15 After Independence. 1.45 Mastersingers. 2.00 Newsdesk. 2.30 Composer Of The Month: Ludwig van Beethoven. 3.00 News; News About Britain. 3.15 Sports Roundup. 3.30 Anything Goes. 4.00 News; The Brain.

CHESS

JUST when the question of who should host the 24-game world championship final seemed to have been settled, Nigel Short and Gary Kasparov, the two players, threw the matter into chaos again.

On Tuesday, the International Chess Federation (FIDE) awarded the final to Manchester after a prolonged and confused auction. Manchester's £1.17m bid had been topped by a late offer of £1.2m from Channel 4. The two began to negotiate a solution, but Fide said C4's financial guarantees were not satisfactory.

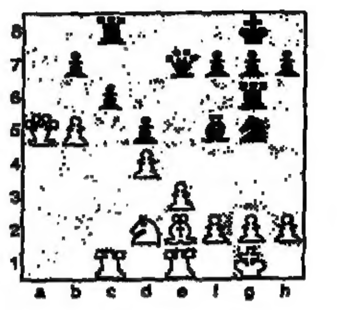
Yesterday, Short and Kasparov jointly said they would not play the final under FIDE's jurisdiction. They said the match would be played under the auspices of a new body, the Professional Chess Association and invited fresh bids.

The players said they had not been consulted by FIDE over either the choice of venue or the starting date. They said 10 per cent of the prize money would go to the new body. If the championship were held under FIDE and its arm for developing countries would receive 25 per cent.

The players' move reopens two old battles. In 1985 when Kasparov had Anatoly Karpov on the ropes, Campomanes stopped their world championship final and saved Karpov's title. In 1986 Campomanes survived an election challenge mounted by Kasparov and Ray Keene, former British champion who is involved in Channel 4's screening of chess.

This new move could take chess back to the pre-1939 when the world title was the the fiefdom of the reigning champion who played who he pleased.

Chess No 962



Grooten v Winants, Wijk aan Zee 1993. White (to move) went 1 bxc6 to weaken Black's Q-side pawns. What did he miss?

Leonard Barden

Solution Page XX

BRIDGE

TO BID a grand slam and fail to fulfil the contract is an unhappy experience. We shall see what happened in today's hand from rubber bridge:

N
♠ A J
♥ Q 7 2
♦ A Q J
♣ A Q 10 7 3

W
♠ 10 9 8 6 5 2
♥ J 8 6 5
♦ 10 4
♣ 5

E
♠ 7 4
♥ 9 4
♦ 9 8 7 5 3
♣ J 8 6 2

S
♠ K Q 3
♥ A K 10 3
♦ K 6 2
♣ K 9 4

South was dealer with both sides vulnerable, and opened the bidding with one heart. North, had made up his mind not to stop short of a slam, but contented himself with a simple two clubs; when South said three no-trumps, North jumped to seven no-trumps.

West led the 10 of spades. When dummy appeared, South was delighted: 12 tricks on top, and surely clubs would supply the 13th. Winning with dummy's ace, he played a club to his king, then a low club and West showed out. That was a shock. The declarer cashed ace and queen, then the three diamonds and ace and queen of hearts. East showed out on the next heart. That spelt defeat.

The declarer was in too much of a hurry to test the clubs. He should first embark on a voyage of discovery. At trick two he should play the king of spades, then the queen (throwing dummy's club three), while East parts with a diamond – West has six spades. South then cashes three hearts – West has four.

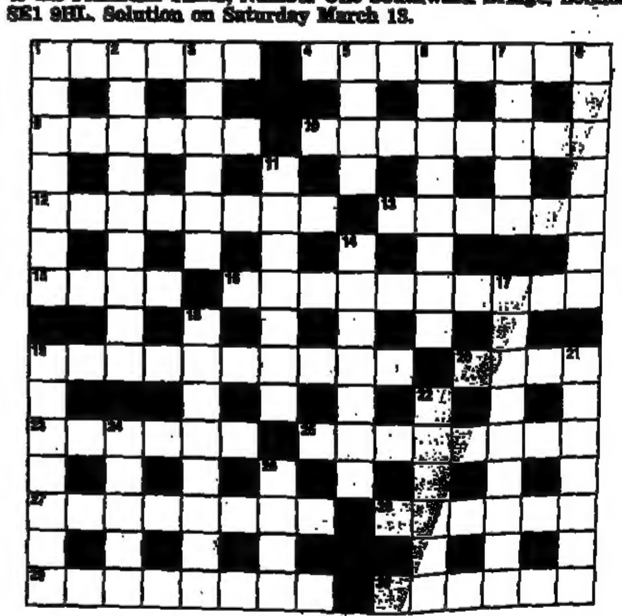
Then South cashes king and queen of diamonds – West has two. He cannot hold more than one club. Crossing to the ace of clubs, on which West follows with the five, the declarer finesses his nine, cashes the king and crosses to the diamond ace to score the queen of clubs for contract. Play like that deserves the slam bonus.

E.P.C. Cotter

CROSSWORD

No. 8,088 Set by CINEPHILE

A prize of a classic Pelikan Souverän 800 fountain pen, inscribed with the winner's name for the first correct solution opened and five runner-up prizes of £35 Pelikan vouchers. Solutions by Wednesday March 10, marked Crossword 8,088 on the envelope, to the Financial Times, Number One Southwark Bridge, London SE1 9HL. Solution on Saturday March 13.



Name.......................

Address.......................

ACROSS
1 Jacobean poet or dresser? (6)
4 Serving many stations with amalgam? (8)
9 Happy, about half size, with coating (8)
10 Outlook for hypothermia? (6)
12 The usual flag? (8)
13 A convenience for representatives (6)
15 Celebrity with points (4)
16 City of El Greco – trade union's involved (10)
19 Document about eggs having shifted in box (10)
20 County of England's garden? (4)
23 Way to speak of meat? (6)
25 Century once, with king getting to Emperor, perhaps (8)
27 Piece of film, for example, among the indigenous (8)
28 Put end to cradle in school (6)
29 To understand French you need endless course (without end) (8)
30 Spring month returning at regular intervals (6)

DOWN
1 What the stomach does to summaries (7)
2 Coach and horse in a lot of hazards (9)
3 Corrects people among journalists (6)
5 Revenue for one form of transport (4)
6 Turned over unsuccessfully? (8)
7 Deposit ashes in pub outside old city (5)
8 Motor mechanic supplying new gears with hesitation (7)
11 Bishop's job finding RAF NCO in quarry (7)
14 Outside this country lies outmoded place like Cornwall (7)
17 Speculative way to make ice hotter (9)
18 Month with article by Pope, for example (8)
19 Temporary accommodation in river has improved relations (7)
21 Tranquillised, also exalted in outbuilding (7)
22 One church head that never gets hot (6)
24 Part of the day? That's a funny thing (5)
26 State a person raised (4)

Solution to Puzzle No.8087

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ACCOUNT HABITUE
V O P E A I R Y
EQUIP RETALIATE
R R E M C A I S
AFTERMATH TANGO
G S G E R
ETHER AUBERGINE
I U N R A N
APPOINTEE LEANT
C N A U R
AROMA CATALOGUE
C T Y L H U U L
INTRICATE RURAL
A E O S H I A I
STRINGS SADDLES
```

Solution and winners of Puzzle No.8,076

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BROACH DISTRAIT
R V H H H N A
ICEMAN HOARDING
E R N E N O M A
FOREGONE ASSAIL
L U E T E T O
YALE CHISELLING
E I U S E N
PASTMASTER BEEF
A M E N A L I
NESTOR ACCURATE
A E B M E T S L
CODRIVER WHITED
H G L E O I E
ELEMENTS BRACER
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Mrs V.J. Moss, Tingleton, Dorset; A.L. Charles, Alderney, CI; Miss K. Farrer, Parkstone, Dorset; G.D. Foster, Grimsby; J.B.Gaskill, Hessle, North Humberside; B. Pace, Henley, Dorset.

Go easy on the copycat criminals

Where computer software companies see only theft they could find profits, says **Max Wilkinson**

WHAT IS wrong with theft if nobody gets hurt and nobody notices any loss? Not much, say thousands of people who routinely fiddle their income tax, conspire to avoid payment of Value Added Tax or make minor depredations against their insurance companies. It *is* wrong, of course, because the honest citizens suffer from higher taxes or insurance premiums, even if they cannot connect these with any particular rip-off.

However, there is one form of theft, now being vigorously combated, which many otherwise honest people commit with little or no sense of shame: the pirating of computer software. Illegal copying is made ever easier by the development of faster personal computers and higher capacity magnetic storage disks (the sort which are posted into the front of the machine and can be slipped into a shirt pocket).

Programmes for word processing, doing accounts or spreadsheets costing between £200 and £400 can be stored on a few disks which can be bought for around a fiver. So the temptation to borrow a friend's programme disks and make a copy is high, especially as the risk of detection is minimal. Not surprisingly, the software companies are anxious to stamp out the practice, which they see as a straightforward theft of copyright and a significant threat to the revenues of their multi-billion dollar industry.

Some well-publicised raids on companies which have allowed copies to be passed illegally from one machine to another, aggressively worded licensing agreements and a few programing tricks have all helped to make respectable folk a little bit more awkward about unlicensed copying.

Yet many people feel that there is something silly about present licence agreements, as there was in the discarded law that banned the tape-recording of radio broadcasts for personal use. In the days when personal computers were almost all to be found in offices, a tough stand against copying may have made sense, for the software company must recoup high development costs from a product whose manufacturing cost (copying a few disks) is tiny. But computers are fast becoming a standard piece of domestic equipment in middle class homes and private individuals do not wish to pay £200 to £300 for a programme which they may use only occasionally. On the other hand, they do not want to struggle with an obsolete programme which may be much harder to use than the one they have in the office.

So they make an unofficial copy, and their reasons for doing this deserve a hearing. At that price, says the pirate, I would never have bought a legal copy, so the vendor is not deprived of a sale. Indeed, the software company may benefit if I decide to buy an upgraded version or a manual (which some companies sell separately).

Anyway, says the pirate, warming to his theme, it is all the software company's fault for trying to charge me ten times his marginal cost of production. What is more he is inciting me to piracy by making it difficult for me to buy the previous (outdated) version of the product at a reasonable price.

Without doubt, excessively restrictive licence agreements (limiting use to one person on one machine) have contributed strongly to making these infringements widely tolerated among people who would be happy to pay a moderate fee to "stay legal". Software companies have been slow to learn the lesson from the airlines that empty seats can be sold at low prices, without destroying revenues from business class users.

The industry has at last started to recognise these arguments by selling "economy class" programmes at a much lower price than the up-to-date full versions aimed at the business market, but prices are still high compared with the cost of making a copy, and some of the restrictions imposed on business users who might want make a copy of a programme in order to take their work home are absurdly tight.

Now that each copy of a programme can be labelled with the name of its legitimate user, it is possible to make the possessors of pirate versions feel uncomfortable, every time they switch on. So it is time for the industry to combine this moral lever with more relaxed conditions for limited copying and aggressive mass market pricing of top quality programmes (not just clapped out versions).

In this way they will de-criminalise large sections of the middle classes - and possibly make money too.

Tony Andrews

Private View/**Christian Tyler**

A pastor at the grass roots

Fr Michael Conaty's parish is poor. He thinks poverty is a sin, but a sin the poor do not commit

THE PARISH priest of St. Anthony's is a burly Irishman with a good golf handicap and 30 years' experience in the shipyards and housing estates of Newcastle upon Tyne.

"Poverty is a sin," he said, "but it is a sin that the poor do not commit."

Unemployment, crime and punishment have this week provoked a frenzy of analysis by British commentators following the arrest of two 10-year-old boys for the murder of a two-year-old child on Merseyside and the reappearance of a national jobless total of 3m. I went to look for someone who knew about such things at first hand and who carried no ideological brief.

Fr Michael Conaty's views would be unpopular in London. The Left would object to his enthusiasm for self-help and traditional morals, the Right to his emphasis on compassion and forgiveness. But they are views with a weight of experience behind them.

Fr Conaty is an activist, not an analyst. Around the church of St. Anthony of Padua in the district of Walker he has built, with donations and public money, a day care centre for the old, a youth club, training workshops, and plans an information office for job seekers.

I asked him what he understood by "the underclass".

"Can I say straight away that this language is not in the vocabulary of the Church at all," he replied. "It's a judgment that society is making on one part of itself."

He prefers the word "outcast" to describe those who have given up the struggle against a hostile system. "But the marvellous thing about poor people is that they are all the time striving to be better."

Better off materially?

"Not so much materially. They are seeking a better quality of life. Poor people, by and large, are seeking education, they are seeking spiritual development."

Apart from low income, how does poverty show itself?

"In an area like this, very, very deeply. There's a tremendous spiritual poverty. There is an emotional and psychological poverty. That's why you can't talk about the poor and the underclass in the same bracket. Poor people are probably driven into the underclass by what society is doing to them."

Last Sunday his parishioners prayed not only for the murdered child but for the two boys who were arrested. Because whoever committed that crime, Fr Conaty said, was as much sinned against as sinning. "When we are sinned against we reach a stage when we cannot take any more; something within us explodes."

Aren't there too many people like you who see criminals as victims? John Major thinks society needs to "condemn a little more and understand a little less".

Fr Conaty called the politicians' responses "pathetic", and said: "I do accept that murderers must be removed from society. But having removed them we have to look at what we are doing for them. There is an awful lot of self-righteousness going on. I find the harsh judgments that are made, the harsh statements in the media, very stark, lacking in compassion. We condemn the people rather than the crime itself."

The priest's Irish accent is unmarked by 35 years in the north-east of England; when he is emphatic his voice drops to a wheezy smoker's whisper. But when he made a disparaging reference to "market forces" and I suggested that was code for a certain former prime minister, he burst out laughing and his broad face flushed red. He did not reply.

Does poverty cause crime, or is crime a matter of choice?

"There's crime at the highest level of society." He paused, mentioned a name, and, laughing again, asked me not to quote it. "I'm making the simple point that poverty and crime are not linked at all."

Aren't they?

"Unfortunately poor people are driven to crime in order to survive. I'm speaking here of the ordinary things they do to each other, like stealing. But there's crimes at a level of society that are done deliberately for greed and nothing else."

But when your own car was stolen and burned out on the field there, that was not for survival.

"No, well, unfortunately the people who do that are rebelling. They are rebelling against those who have and it's a way of expressing the rebellion. It is a fact that they don't understand the difference between right and wrong."

Fr Conaty described taking a group of children to Lindisfarne where they collected dead birds and rats to bring home. They were fascinated by fire, death and killing, he said. I asked him why.

"I want to use the right words here. I wouldn't want to judge these children at all."

He paused a long time and said: "These young people do not know what it is to be really loved. Because they are coming from backgrounds which have not got that capacity to really love. This is the spiritual poverty that's within. And while they might know that seeing blood, killing things, is wrong, they don't understand why it's wrong. They've got a very low self-esteem. And they suffer the pain of being the children of rejection. They are the children of rejection and they're moving into a society of rejection. One of the ways rejection shows itself is in destruction and violence of all sorts."

The collapse of discipline, of a moral sense, was due entirely to the collapse of family life, he said. An extreme example was society's willingness to let homosexual couples adopt children. And of course divorce had been made easy.

"What we have is the product of the permissive society of the 1960s." He said liberation was a middle-class phenomenon that had been imposed on poorer people. "People don't want those sort of changes. That's why Catholic schools are bursting at the seams.

"What we have become – and we're afraid to admit it – is a pagan society. We're no longer a Christian country."

Fr Conaty believes in the Devil. "You cannot deny the reality of Satan and you would be blind not to recognise his influence. But it is unspoken about because people don't want to give him that glory."

Fr. Conaty maintains that British policymakers and administrators do not understand the problem of poverty. "Because they have only one way of tackling it and that is through glorious handouts. More is needed: people must be given the freedom and the space must be opened for them to be able to help themselves."

Have the churches failed to understand the problem?

"I think in the last 30 years the social teaching of the churches has become tremendously aware of the poor. But you have the one-eyed god stuck in the corner day after day feeding people one gospel and we're trying to feed them another. So there's constant confusion and conflict."

If you had the power, what specifically would you do?

"I would take a thousand families in a poor area like this and I would give them complete ownership of the area, of their own problems. I would resource them financially, but I would take them out, broaden their horizons, try and help them to be creative with their own skills and talents and to work together as a community. The most important resource of those thousand families are not the houses or anything else – it is the people. There is a solidarity among people in these situations.

"You see, everything that comes to them now is dictated from the top and it is all with terms and conditions. Any money that's given must make a political statement, must give glory to the system.

"I wouldn't be about changing their minds at all or changing their life styles. I'd be about changing their hearts."

Michael Conaty is 59, one of six children born to a farming couple in Cavan in the Irish Republic. His father died when the eldest child was still 12 and the family knew poverty. Another brother is a priest near Durham.

He likes football and television news, takes the *Guardian* and *Independent*, reads spiritual essays and anything by Peter Ustinov. He has read the works of Mao Tse-tung and avidly follows developments in the ex-Communist bloc. His political hero is Willy Brandt, the former West German Chancellor.

Perhaps people would say you are just a dyed-in-the-wool traditionalist Catholic priest.

"No, I'm not."

Do you preach hell-fire"

"No, I just love people and I preach the love of God." His voice dropped. "I have a tremendous awareness of the love of God and I share that with people. I'm not a man for rules and regulations. I pastor people in whatever circumstances they're in. I encourage them. I embrace them.

"You see, we're not doing things for people, we're helping them to be."

Later, he said. "The priest is not a social worker. The social worker is about changing people's attitudes, their minds, supporting them at a very human level. But there is a spiritual need that all the time must be satisfied.

You don't mean they want to go to Church every Sunday?

"No. The spiritual hunger is for someone to recognise them as they are."

Do you have a struggle with your religious faith?

"Where I struggle is that I get angry when I see what is happening to people here. I can get angry with God, angry with the Church, I get angry with the system. Because I see the destructive force that political systems are to people in this area. I have to come to terms with that in my own life."

An hour before, Fr Conaty had visited a field near the Swan Hunter shipyard used by children for motorbike scrambling. Residents approve; the police want it closed. He promised to help.

I referred to this and said: a cynic would say "Fr. Conaty is a good man but really he's just trying to net souls."

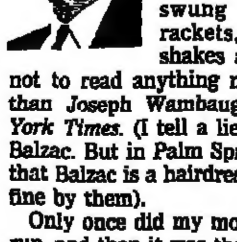
"What I am is a fisher of people's hearts, you know. I'm not looking for anything from them. All the time I'm trying to give them what is good for them."

You're trying to get them the field, but you're trying to get them to heaven as well.

"No, I don't get them to heaven. That's God's job."

A word from your clutter buddy

Michael Thompson-Noel



I WAS IN Palm Springs, California, last weekend – the best place I know in which to veg out in February. To this end I took walks in the desert, sat by still pools, swung a few tennis rackets, lived on date shakes and was careful not to read anything more irk-making than Joseph Wambaugh or *The New York Times*. (I tell a lie. I read a bit of Balzac. But in Palm Springs they think that Balzac is a hairdresser, so that was fine by them).

Only once did my mobile phone chirrup, and then it was the president, calling from Air Force One. "Hiya, Michael," said the president, "just thought that I'd touch base."

"Good afternoon, Mr President."

"Bill will still do," he said. "William at a pinch. There is no call for ceremony." His voice sounded hoarse. "I heard you were in the Springs, soaking up the rays."

I said: "We have our problems, too, you know. We're expecting a storm tonight."

"Get *away*," said the president. The reason he was calling, he explained, was to see whether I had any course-setting ideas to help him dodge the "tax-and-spend" flak caused by his speech to Congress in which he detailed initial remedies for America's woebegone economy.

"I have told my people," he said, "that you have a great idea about once in seven months, so what have you got for me? Let me hear your input."

HAWKS & HANDSAWS

My brain churned into action. I signalled to the pool waiter to bring me – *por favor* – a grapefruit juice.

I said: "I *do* have an idea. It comes from reading the Word Watch column in *The Atlantic* by Anne H Soukhanov. She describes preliminary research into some of the words and phrases being tracked by the editors of *The American Heritage Dictionary of the English Language*, third edition (Houghton Mifflin). New words and phrases that exhibit sustained use may eventually make their way into the dictionary, says the magazine.

"The phrase that caught my eye was *clutter buddy*. If you ask me, William, we should go to work on *clutter buddy*. Your presidency has started well. I admired your speech to Congress. It will be a while, yet, before the dozy columnists at the *Post* and *Times* wake to the full potential of your presidency. They are still habituated to the multi-trillion wastrelism and political cowardice of the Reagan-Bush years. But they will stir from their torpor soon. To give them a kick, you should appoint a string of *clutter buddies*."

There was silence from Air Force One.

"Soukhanov says a *clutter buddy* is one who supports another person in sorting and discarding accumulated possessions. She says that the *anti-clutter* movement of the 1990s – thought by some to be a reaction to the acquisitiveness of the '80's – is manifest in *clutter clinics*; in adult education classes in *clutter management*, which have produced some 200,000 *clutter graduates*, and in *clutter hot-lines* and *de-clutter guidebooks*.

"According to Soukhanov, people drowning in clutter are advised to start small: to clean a small area, perhaps 12 inches square. Keep it clean. Then go on to another spot. Experts in *clutter management* also advise that people give themselves frequent rewards along the way.

"This is a big idea, William. An extremely big idea. You could be in the White House for eight years. After that, Hillary Rodham Clinton could be president, followed by Chelsea. We are talking 2016, William.

"But you have got to make your mark in the next few months. Appoint *clutter buddies* throughout Washington. Every cabinet member must have one. Their powers must be absolute. The reason the planet is suffering so cruelly is that governments everywhere are moving far too slowly. They are sinking in an ocean of intellectual garbage.

"They find themselves trussed and bound like carcasses at a meat show. Their reaction times are pathetic. Where is the vision thing? Poverty. Pollution. Over-population. All these matters are swamping us yet governments are scuttling crab-wise, afraid of their own shadows.

"The solution is simple: bring on the *clutter buddies*. We need them everywhere. Throw out the garbage!"

"That is great," said the president. "Everyone on Air Force One is beholden to you, Michael."

I said: "Think nothing of it, Bill. God bless America!"